Primary Agricultural Products and Services in China

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Primary Agricultural Products and Services in China

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PRIMARY AGRICULTURAL PRODUCTS AND SERVICES IN CHINA

Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

As the world's most populous country, China represents an enormous market for primary agricultural products. A growing population, limited arable land, and China's accession to the World Trade Organization (WTO) are a few of the factors that will create a number of changes for both the domestic farming industry and for foreign exporters seeking access to the Chinese market.

It is estimated that Chinese consumers spend nearly $300 billion[1] annually on food products. However, there is a significant discrepancy in the ability of consumers to purchase imported or branded products. Nearly 60% of the population relies on farming for income. As a result, a substantial portion of the country cannot afford imported products. Exporters are, therefore, encouraged to focus on establishing their product(s) in regions or cities with high average incomes, (such as Shanghai, Beijing or Guangzhou) instead of attempting national distribution.

As the market continues to grow and become increasingly liberalized, foreign countries will have excellent opportunities to access the Chinese market. Although numerous countries are currently exporting products to China, the main competition for Canadian producers of primary agricultural products includes such countries as the United States, Australia, Argentina, Brazil, Japan, South Korea, Taiwan, Thailand and a number of countries from the European Union.

This report outlines opportunities for Canadian exporters of primary agricultural products such as grains and oilseeds, livestock and livestock products, fertilizers, seafood and aquaculture, animal feed, genetically modified organisms (GMOs) and genetics.

In 1999, China imported nearly $2.7 billion worth of Canadian products. Agricultural imports, including fertilizers, totalled more than $1.04 billion. Grains, oilseeds, cereals and fertilizers account for over 80% of Canadian agricultural exports to China.

Perhaps one of the greatest obstacles for Canadian exporters attempting to establish themselves in the Chinese market is a lack of marketing and education of Chinese

[1] All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. The conversion rate to Canadian dollars is based on IDD Information Services, *Tradeline*, July 2000.

consumers as to the benefits of imported products. Exporters are wise to invest time and money to provide consumers with information regarding the quality of and preparation methods (which may differ from items imported from other countries) for Canadian products. This will help to ensure that consumers have a positive experience with their goods, thereby helping to ensure future sales.

The Chinese distribution system can also be a challenge to navigate for new exporters. In general, most agricultural products are still shipped through Hong Kong. Some of the large, experienced exporters have begun dealing directly with Chinese agents while smaller exporters tend to prefer to reduce their risks by shipping through Hong Kong. China currently lacks an efficient, reliable distribution system. As a result, coastal cities, which tend to be more prosperous than inland areas, are a good area in which to introduce a product to the Chinese market.

In general, China's accession to the WTO should help to reduce the risk of doing business in China and encourage increased trade and investment flows. Tariffs on primary agricultural products, which have traditionally been high to protect domestic producers, will be gradually lowered over a five-year period. In addition, China has negotiated a number of tariff rate concessions in its bilateral WTO agreements with member countries. The most favourable concession for any item will apply to all member countries once China joins the WTO.

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PRIMARY AGRICULTURAL PRODUCTS AND SERVICES IN CHINA

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MARKET OVERVIEW

With a population of nearly 1.3 billion, China represents a massive market for agricultural products. In recent years, the Chinese government has taken a number of steps toward opening the domestic market to international trade. As China becomes increasingly active in the international market, its policies and initiatives will have a significant effect on the international market due to the sheer size of the Chinese market.

Over the last two decades, the Chinese economy has experienced strong growth that is expected to continue for the foreseeable future. Between 1980 and 1995, China's gross domestic product (GDP) quadrupled. For the first six months of the year 2000, GDP is estimated to have grown by 8.2%, up slightly from the previous two years' growth of 7.1% in 1999, and 7.2% in 1998. Individual cities such as Shanghai, Guangzhou and Shenzhen have experienced stronger-than-average growth, increasing by 11% to 14% annually.

In 1999, China imported nearly $2.7 billion worth of Canadian products. According to the World Trade Database, agricultural imports, including fertilizers, totalled in excess of $1.04 billion.[2] Commodities such as grains, oilseeds, cereals and fertilizers account for over 80% of Canadian agricultural exports to China.

Canadian exporters should note that by deciding to enter the Chinese market, this will not immediately allow access to 1.3 billion potential consumers. There is a significant degree of regional diversity within the country with both formal and informal barriers to trade between regions. Typically, domestic producers, agents and distributors tend to focus on selling a product within one region or even within one city with very little national distribution. Therefore, it is recommended that Canadian exporters attempt to establish their product(s) within one of the more affluent port cities such as Shanghai or Guangzhou. Only after a product is deemed to be successful in one city/region should exporters consider expanding the scope of their exports.

Currently, Chinese consumers spend nearly $300 billion annually on food products. However, there is a sizeable discrepancy in the ability of consumers to purchase

[2] Export statistics may be somewhat inaccurate as many products are shipped to Hong Kong and then re-exported to China.

imported or branded products. It is estimated that nearly 60% of the Chinese population depends on farming for income. This is significantly higher than the level in developed countries, which have an agricultural population below 10%. In 1999, rural incomes were approximately $385 annually, compared to average urban incomes of $976. Currently, there are only 200 million consumers who are considered to have middle to high incomes. This is forecast to increase to 500 million consumers within the next decade.

Table 1. Canadian Agricultural Exports to China, 1999.

HS Code	Product(s)	Export Value ($C millions)
12	Misc. grain, seed, fruit	437.7
31	Fertilizers	296.2
10	Cereals	101.2
03	Fish and seafood	91.6
15	Fats and oils	64.6
41	Hides and skins	23.6
02	Meat	13.8
07	Vegetables	5.8
04	Dairy, eggs, honey, etc.	4.2

World Trade Database, August 2000.

With the opening of the Chinese market to the international community, several changes are expected to occur within the agricultural sector. Although all land will continue to be state-owned and the domestic industry will continue to be somewhat protected by tariffs and quotas, in order for farmers to be able to compete with international producers, farms will need to become increasingly businesslike. In other words, farmers will no longer be able to make a living by producing low-quality products and selling them to the Government at inflated prices. Development of animal husbandry and higher-income, labour-intensive sectors will allow Chinese farmers to remain competitive. However, due to the current lack of technology and equipment, it is expected to take Chinese farmers a number of years to reform the industry to make it competitive.

Foreign direct investment (FDI) in China's agricultural sector has increased substantially in recent years and will continue to play a key role in the development of the market. China is currently the second-largest recipient of FDI, behind the United States. In

1999, foreign investment in the agricultural sector increased by 22% to US$1.5 billion, while total contracted foreign investment decreased by 21%.

Unlike many other areas of the world, particularly Europe, China has shown a significant interest in genetically modified (GM) foods. Both Chinese consumers and government officials have rejected fears that have developed in other countries around the world. The basis for China's acceptance of GM foods lies in the fact that the country accounts for roughly 23% of the world's population while only holding approximately 7% of the arable land. GM crops, which produce higher yields than conventionally produced foods with usually lower inputs (pesticides, fertilizers, fuel, etc.), allow China to be as self-sufficient as possible. It is estimated that by 2010, half of China's farm land will be dedicated to growing GM foods.

Advertising

For a product to succeed in the Chinese market, a significant amount of money and planning must be invested into promotion and advertising. Chinese suppliers, distributors and retailers will offer a certain degree of help, although exporters must take the initiative in promoting their products.

Television advertising is the best way to reach the mass market in large cities, and can be a key to increasing brand awareness and establishing brand loyalty among younger consumers, who tend to be more likely to purchase new, imported foods. However, exporters should note that in some cases, the cost involved in advertising can be prohibitively high. While all forms of "comparative advertising" are banned, foreign advertisers can be successful by emphasizing quality and the image associated with the product. Television advertising requires covering a broad range of channels. Television is almost ubiquitous in China, with 83% of rural and 98% of urban households owning a television set. Across the nation, 94% of households own a set or occasionally watch.

Advertising in China's major cities can be expensive. This has led many smaller consumer goods producers to focus on smaller provincial capitals. For example, some companies began advertising in cities such as Tianjin, Wuhan and Harbin, where advertising costs only one-tenth the price of advertising in Shanghai, Beijing or Guangzhou. The popularity and brand awareness of their products filtered back into the major urban centres, creating a well-known product.

Radio and outdoor advertising is also becoming increasingly popular. Wall posters, billboards, bus shelters and lamppost are all popular methods of outdoor advertising. Outdoor advertising is a longer-term investment, but can be ineffective if not used in conjunction with strong in-store promotions and point-of-sale material. The producer must be able to create brand recognition among consumers.

In-store promotions and sampling are extremely useful ways to generate interest in a product. Many retail outlets allow foreign companies to set up in-store marketing and promotions for a small fee. Companies can promote their products as they wish, through the use of "promotion girls" who actively sell the products. This type of advertising not only allows consumers to sample products before deciding whether to buy, but it also ensures that consumers are given accurate instructions as to how a product should be prepared.

Regional Chinese Markets

Existing access conditions may make it relatively difficult and costly for exporters to test products in the Chinese market. This is particularly relevant since the Chinese are such a broad and diverse group, whose tastes are changing rapidly as the result of increased incomes, travel, and general exposure to new products.

Emphasis must be placed on the fact that China is not one single market, but is composed of distinctive regional markets. The central government seeks to establish national policies for the development of key sectors such as agriculture, oil and gas, electricity, and communications. Nevertheless, most business is conducted at the provincial and regional level. Major contracts, particularly those within the state plan, are still subject to review by central authorities, but decentralization is proceeding rapidly.

It is suggested that companies look closely at a number of regional Chinese markets and perhaps compare them to Asia's other midrange economies. These regions include:

a) Northeast - Heilongjiang, Jilin, and Liaoning
b) Beijing - Hebei, Beijing, Tianjin, and Shandong
c) Central Provinces - Shaanxi, Henan, Hubei, Anhui, Hunan, and Jiangxi
d) Sichuan
e) Greater Shanghai - Shanghai, Jiangsu, and Zhejiang
f) Greater Guangdong - Guangdong, Fujian, and Hainan

Each of these regions has a population of over 100 million and gross domestic products exceeding US$20 billion. The regions of Guangdong, Shanghai, and Beijing play a leading role. The Central Provinces and Sichuan have low per-capita incomes but population density may create returns in future consumer markets. For a more in-depth analysis on some of China's more attractive regions it is recommended that you read: The Yangtze Delta Food Market, Hong Kong Agri-food Market Summary, Summary of Guangdong's Food Market, The Agri-food Market in Northern China.

After having focussed economic resources on coastal areas, China decided to accelerate development of the western regions in 1999. The development, and

preferential policies, including tax breaks for foreign-invested enterprises, are meant to stimulate development in the 11 provinces, autonomous regions and municipalities. At least US$12 billion will be provided to these regions, which lag the east by up to 20 years in development. Currently, per capita GDP in the western regions is only 60% of the national average. Infrastructure construction, including highways, bridges and railways will be improved, and environmental protection will be highlighted in the development plan. Undoubtedly, there will be opportunities for foreign involvement in assisting in the development of these areas. A common feature of the western regions, however, is a severe lack of moisture for efficient agricultural production, which is probably the single largest drawback to successful investment in agricultural projects there.

Key Factors Shaping Market Growth

Currently, China is somewhat dependent on agricultural imports to fulfill many of its needs. A growing population, limited arable land, and China's accession to the World Trade Organization (WTO) will create a number of changes within China's farming industry. In recent years, farmers have already begun planting labour-intensive products such as fruits and vegetables instead of the low-quality grains that have been produced for many years due to government incentives and price controls. China will also be forced to import more agricultural products to feed its steadily growing population.

While land resources may not be in as short supply as official statistics indicate, problems such as soil degradation, erosion, salinization, pollution, landfills, and the expansion of commercial and industrial land space are all significant factors that need to be addressed. For example, it is estimated that solid waste landfills now cover nearly 330 000 acres of land. Pollution is estimated to have damaged another 13 million acres, while pesticides have polluted approximately 23 million acres. In addition to the aforementioned problems, it is estimated that more than 7% of China's farmland is irrigated by contaminated water.

This year, China is experiencing its worst drought in decades, especially in northern areas of the country. Not only has this resulted in government officials significantly decreasing their estimates for crop production, but it has also dried up rivers and reservoirs, forcing more than 100 cities to ration water. This has sparked conflicts between farmers and Chinese government agencies. Such social unrest sometimes results in implications to agricultural policy, such as increasing the price paid by the Government for domestic grain to offset the unrest caused by the drought and the resulting lower yields. This kind of domestic support policy may be curtailed once China becomes a member of the WTO. Areas affected include the provinces of Jilin, Heilongjiang, Liaoning, Shandong, Shanxi and Shaanxi.

A lack of marketing and education for Chinese consumers is one of the greatest barriers to increased sales of imported products. For example, within the seafood industry, Canadian Atlantic lobsters require different storage and preparation methods than Australian lobsters (which are more common in the Chinese market). Atlantic lobsters need to be stored at a colder temperature that requires more expensive storage tanks. Most retailers do not have the appropriate equipment to handle such a product. Without being shown how to store or prepare Canadian lobster, consumers may have a negative first experience, and therefore decide not to purchase that product in the future.

Traditionally, Chinese consumers have shown a lower level of interest in healthy foods than many countries in the western hemisphere, however, consumer demand for healthier products is increasing. Products that advertise the fact that they are organic, low in fat, low in sugar or have other health benefits, are gaining increased exposure in the market.

Exporters of chilled or frozen products should note that growth of the Chinese market is somewhat hindered by a shortage of appliances such as refrigerators. While most households in such major centres as Beijing and Shanghai own refrigerators, only 10% of rural households do. In smaller urban centres, between 40% and 80% of households own refrigerators.

China's Accession to the World Trade Organization

China has made a number of trade-related commitments to WTO members that are expected to take effect when China accedes to the organization. These include tariff concessions, as well as commitments to apply WTO rules relating to subsidies, standards, intellectual property, import licensing, trade-related investment measures and sanitary and phytosanitary measures. China will also be bound by fundamental WTO principles that will require the country to strengthen commercial legal procedures and improve transparency.

China's WTO commitments should help to reduce the risk of doing business in China and encourage increased trade and investment flows. However, most commitments will be phased in over time. In the case of lower tariff rates, most new bound rates[3] will be phased in over five equal, annual increments from the date of accession.

[3] Bound rates are tariff rates resulting from negotiations or accessions that are incorporated as part of a country's schedule of concessions. If China were to raise a tariff above the agreed upon bound rate, the affected countries would have the right to retaliate against an equivalent value of the offending country's exports or receive compensation, usually in the form of reduced tariffs of other products they export to the offending country.

China has negotiated a number of tariff rate concessions in its bilateral WTO agreements with member countries. The most favourable concession for any item will apply to all member countries once China joins the WTO.

On November 26, 1999, Canada and China concluded a bilateral agreement providing for improved market access for a range of goods and services. China will significantly improve access for imports of canola, canola oil, wheat, barley, malt, feed peas, alfalfa pellets, seed potatoes, beef and pork along with a wide range of other products. However, China will adopt tariff rate quotas (TRQs) for a limited number of sensitive sectors. The only two Canadian products affected by TRQs are canola oil and wheat.

The TRQ for canola oil will begin at 600 000 tonnes and will be eliminated within six years of China's accession. The TRQ is scheduled to increase at the same rate (13.5%) as the TRQ for soybean oil, which is the greatest competitor for canola oil. Canola oil shipped within the quota will be subject to a tariff rate of 9%, the same rate as used for in-quota soybean oil. The out-of-quota tariff is 85%.

The TRQ for wheat will be 7.3 million tonnes for the first year, rising to 9.3 million tonnes within four years of accession. The rate charged for out-of-quota wheat imports is 85% for the first year, decreasing to 65% after four years. In-quota tariffs for wheat products are as follows: for wheat 1%, wheat flour 6%, wheat groats and meal 9%, and wheat pellets 10%.

China's entry into the WTO has forced the agricultural structure to change significantly. For example, in recent years, the Chinese government has encouraged farmers to produce large quantities of grain by offering subsidies as an incentive. However, the majority of grains were low in both quality and yield. As a result, the government shielded farmers from world market prices by offering domestic producers artificially high prices for their products. With China reducing tariffs, foreign producers will have greater access to the Chinese market. This has already resulted in a growing number of farmers producing labour-intensive cash crops such as fruits, vegetables and animal by-products. China's accession to the WTO will provide opportunities for the export of labour-intensive products, while importing other products is better suited to resource-rich countries.

Although some changes in Chinese farm products and technologies have occurred in anticipation of increased competition from exports associated with China's entry to the WTO, it is expected that many farmers and farm labourers will be forced to find other livelihoods. Currently, some analysts estimate that there are 200 million surplus labourers in China's farming industry. Structural adjustment in the agriculture sector as a result of lower priced imports will be manifested in a shift toward fewer, larger, more efficient farms. While the Chinese government expects other industries to benefit from the availability of the surplus labour, there will be some short-term labour adjustment along the way.

International Financial Institutions (IFIs)

China is the largest borrower from both the World Bank and the Asian Development Bank (AsDB), representing significant commercial opportunities for Canadian firms. Because of Canada's status as a shareholder in both institutions, Canadian companies are eligible to supply goods and technical assistance related to loan-funded projects. In 1999, China borrowed $3.1 billion from the World Bank and $1.9 billion from the AsDB.

World Bank lending to China has been primarily in three sectors: agriculture (29%), transportation (24%) and energy (19%). AsDB funds have been allocated mainly to the transport and communications sector (46.1%) and the energy sector (19.2%). There are also a number of projects focussed on water supply and sanitation. Special emphasis has been placed on projects that support economic reform, develop public infrastructure, address environmental degradation, improve natural resource management, support human resource development and alleviate poverty.

Companies may supply technical assistance services directly to the banks, in support of project design and feasibility work; however, loan-funded projects themselves are generally managed by Chinese executing agencies. The procurement of loan-funded goods and services by these agencies is subject to lending institution rules governing fairness and transparency, and companies can appeal if they feel that the procurement process is not being properly followed. In both cases, because of the substantial costs in time and travel involved, it is recommended that Canadian companies active in the agricultural sector evaluate, and, where appropriate, pursue opportunities as an element of their business plan for the region.

For links to the World Bank and AsDB Web sites, and for copies of related business guides, companies are encouraged to consult IFInet at http://www.dfait-maeci.gc.ca/ifinet.

Opportunities

Although the most promising opportunities for Canadian exporters may be through a joint venture with a Chinese partner, there are also niche opportunities for value-added products exported directly from Canada. However, exporters will still be required to develop a strong relationship with a local representative/partner in order to respond to consumer demands and to help navigate products through the complex distribution system.

In recent years, the Chinese government has invested significant resources into the development of the livestock industry. Animal husbandry is widely viewed as a means to increase rural incomes, and provides Canadian companies with excellent opportunities to enter the Chinese market.

Livestock and Livestock Products

Animal husbandry has become an increasingly important sector of the Chinese agricultural industry. In fact, animal husbandry now accounts for 31% of China's total agricultural output, up from 14% in the early 1980s. In 1999, domestic meat output was estimated at 59.5 million tonnes, up from 34.3 Mt in 1992. There is an increasing demand by consumers not only for quantity but quality meat and dairy products, which in turn is causing increasing demand in quality and quality feeds. (Please see section on animal feed)

In general, Chinese consumers prefer fresh meat products over frozen. However, consumers are becoming increasingly accustomed to frozen imported meats, which tend to be of a higher quality than fresh products provided by domestic suppliers.

In 1999, China imported 1.3 million tonnes of beef, pork and poultry from all sources. More than half of the total meat imports were trans-shipped through Hong Kong. However, China's accession to the WTO will gradually lead to an increased number of products being shipped directly to China due to lower tariffs and less-stringent import regulations.

According to the World Trade Database, Chinese meat imports exceeded $740 million in 1999. The United States was the largest exporter to China, accounting for 58.5% of total imports. Canada, which had a 4% share of the market, was the fourth-largest supplier of meats behind Brazil (13.8%), and the United Kingdom (4.8%).

Under agreements signed between Canada and China, in April and June 2000, products from ten beef plants and two pork plants (both owned by Maple Leaf Foods Inc. — one in Burlington, Ontario and one in Brandon, Manitoba) were approved for export to China. More plant approvals are pending. Also, Chinese officials will now accept information provided by the Canadian Food Inspection Agency (CFIA) as to the acceptability of Canadian meat plants to export meat products to China. Previously, Chinese regulations regarding Porcine Respiratory and Reproductive Syndrome (PRRS) and transmissible gastroenteritis (TGE) essentially prohibited Canadian pork exports.

Pork

China is the world's largest producer and consumer of pork. Pork production is estimated to increase to 40.5 million tonnes in 2000, up 3% from the previous year. In recent years, the demand for pork products has increased by 1.6 to 2.2 million tonnes per year, and similar growth rates are expected to continue through 2005.

Per-capita consumption of pork currently stands at 31.2 kg annually, and is increasing by 3% to 5% per year. China's growing middle class has increased demand for pork

products, which are the main source of meat protein in the Chinese diet. Over the long term, demand for increasingly leaner pork products is expected to grow, thereby increasing opportunities for foreign suppliers since the domestic industry typically produces fatter animals.

In 1999, Canadian exports of pork meat totalled 519 000 tonnes. However, exports to China represented less than 1% of total Canadian pork exports in 1999. Canada's recent agreement with China on WTO entry terms should significantly improve access to the Chinese market for Canadian pork exporters. Tariffs on pork products will be gradually reduced from the current level of 20%, to 12% in 2004. While the market for pork cuts will take time to build, the market for pork offals and variety meats is immediate and available for Canadian exporters.

Poultry

Currently, China is the world's largest market for poultry products, and ranks second, behind the United States, in terms of poultry production. In 1999, poultry production was estimated to be between 12.5 and 13 million tonnes. This market has been experiencing growth rates of 3% to 5% annually, and similar growth rates are predicted for the foreseeable future.

Per-capita consumption of poultry products has nearly doubled over the last five years, from approximately 5 kg in 1995, to 9.7 kg in 1999, although this is still relatively low by world standards. Consumption is expected to grow steadily as China's middle class grows. In addition to chicken meat, consumers also enjoy duck, goose, quail, pigeon and ostrich, as well as many poultry byproducts such as feet, necks, wing tips, tails, skins and offals, which are not generally consumed in Canada. Turkey meat is not well-known in China, although gizzards, wings and necks are popular in certain regions at specific times of the year.

The growth in poultry consumption is due, in part, to the development of fast food chains in China. With a steadily growing number of outlets, KFC and McDonald's restaurants are extremely popular in China's main cities, and have increasingly exposed Chinese consumers to poultry products.

Currently, the Chinese government is encouraging exports of high-value poultry products such as breast meat and leg quarters while importing lower-value parts such as feet, wings and offal. However, imported products will continue to supply a portion of the growing demand for these products as domestic production may be constrained by the limited availability of feed products.

An estimated 90% of China's poultry imports continue to be trans-shipped through Hong Kong. However, it is getting easier for exporters to ship products directly to China as Canadian companies can now import and distribute their own products without going

through a state-owned enterprise. Tariffs on poultry products are scheduled to drop from 20% to 10% by 2004. This may eliminate the benefit of exporting poultry through Hong Kong.

The United States was the dominant exporter of poultry products to China in 1999, accounting for 57% of total imports. Other top exporters of poultry products included Brazil, the United Kingdom, Argentina and Thailand. Canada accounted for approximately 2% of total poultry imports.

Beef

China's beef industry faces a number of problems in the coming years. Higher disposable incomes and a change in consumer tastes have significantly increased the demand for beef products in recent years. In 1999, demand for beef increased by an estimated 6% to 7%, although this was down from previous years. In response to the demand for beef, the growth in slaughtered animals has exceeded the growth in the overall herd size. This has led to a steadily shrinking herd size, which has raised concerns within the Chinese beef industry.

Another widely recognized problem is the quality of Chinese beef. By world standards, Chinese beef is considered to be a low-quality product, while future demand will be strongest for higher-quality cuts. In an attempt to keep the domestic industry competitive, the Chinese government would like to develop new grading standards for beef that will require Chinese producers to supply higher-quality products. However, implementation of a grading system is not forecast for the near future.

The opportunities for beef exports to China are excellent. Foreign countries can produce higher-quality cuts of beef for a comparatively low cost. In addition, China's accession to the WTO will lower tariffs on imported beef by 2004 — from the current level of 45%, to 12% for frozen beef and 20% for chilled products.

In 1999, Canada exported 97 557 kg of beef to China. Ten plants have now been cleared to export beef and beef products to China, and more approvals are pending.

Animal Genetics

Canada has proven to be a long term and reliable supplier of animal genetics to China. The first Canadian swine exports to China began in the 1980s and the modernization of China's swine industry since then has been based largely on Canadian swine genetics. Their popularity and profile has been increased by the network of swine producers who have been trained by the Canada-China Lean Swine Project.

Similarly Canadian dairy genetics have gained a strong profile in China as the country seeks to improve and strengthen its dairy industry. The national program for genetic

improvement of dairy cattle is Canada's Dairy Herd Improvement (DHI) program. Canadian genetics are now responsible for 70% of dairy breed improvement in China through AI sires. The Integrated Dairy Cattle Project has had an impact on increased output/cow of 10% above averages of herds improved with local breeds (Chinese Holsteins), translating into increases of 400-1000 kgs. milk per year per cow.

Sales of Canadian beef genetics have been widely made, especially in North-eat and central/west China. In addition, the government has undertaken a number of herd improvements, which include a recent US$100 million loan from the World Bank for a cattle infrastructure project in east-central China. The project focusses primarily on improving the Chinese herd through the use of imported animal genetics. However, funds will also be spent on training as well as upgrades to equipment, feed lots and processing facilities.

One of the most pressing issues facing the Chinese beef industry is a lack of land for raising cattle. Unlike foreign beef-producing countries like the United States, Canada and Australia, it is expensive for Chinese producers to allot a large portion of land for cattle. However, the vast grasslands of Inner Mongolia, which share similarities with the Canadian prairies, are a natural region for beef cattle production.

Canada's reputation as a world leader in livestock genetics is well-known in Chinese animal husbandry circles and it is a reputation to build on.

Seafood and Aquaculture

Since 1989, China's output of aquatic products has ranked first in the world. In 1999, domestic production of aquatic products exceeded 41.2 million tonnes, up from 39 million tonnes in 1998, with a value of approximately $45.2 billion. In 2000, China's aquatic output is forecast to increase only slightly over the previous year, to between 41 and 42 million tonnes.

The Chinese market for seafood and aquaculture varies significantly from one region to another. Consumption of seafood is much higher in coastal cities such as Shanghai, Beijing and Guangzhou, which have easy access to fresh products and high average incomes. Inland cities have much lower rates of seafood consumption due to lower average incomes, an underdeveloped aquaculture industry and a lack of distribution capabilities for seafood products. Inland consumers also tend to consume greater amounts of freshwater products and domestic seafood, as these products are generally much less expensive than imported seafood.

In 1999, China imported more than $1.3 billion in seafood. However, a large portion of imports is processed in China, because of low labour costs, and is then re-exported to other countries such as Japan. Russia and Japan are the two largest suppliers of aquatic products to China. Russian exports accounted for nearly 30% of total imports,

while Japanese exports account for roughly 20.5% of total exports. Other top suppliers include the United States, France and South Korea.

Canada was the sixth-largest exporter of seafood to China in 1999, with exports totalling $52 million. Although Canadian exports accounted for only 4% of total Chinese imports, sales of Canadian products have shown strong growth in recent years. Between 1998 and 1999, sales increased 39%, following an increase of 27% the previous year.

Tariffs on imports seafood products range from 0% to 20% depending on the product.

In 1986, the Chinese government passed the Fishery Law, which aspired to encourage China's fishing industry to increase fish farming, or aquaculture. According to the Chinese Ministry of Agriculture, China's aquaculture industry has grown from producing 44% of China's fish products in 1986, to 58% of all products at the current time. The increase of farmed products has decreased the cost of some traditionally expensive seafood items, thereby enabling a greater portion of the population to purchase seafood products. Aquaculture is expected to continue to grow in the foreseeable future.

Although fresh water products have traditionally accounted for the vast majority of farmed fish products, the growing popularity of certain salt water products will lead to the development of the salt water aquaculture industry. Also, the government is encouraging the aquaculture industry, which has primarily been based in coastal cities, to begin developing facilities in the interior. This will provide a larger portion of the population with greater access to fisheries products, at a more reasonable price.

Since 1995, the Chinese government has imposed a fishing ban for eight to 10 weeks during the summer months in an attempt to protect fish stocks during their breeding season. An estimated 80% of China's ocean area is believed to suffer from overfishing. The ban, which encompasses waters north of 35 degrees latitude, does not include the areas that border Japan's Exclusive Economic Zone[4] (EEZ). However, in 1999, fishermen off the southern coast were subject to the ban for the first time. Approximately 120 000 fishing boats are affected by the summertime ban, with only a handful of ships being found in violation of the ban each year. During the moratorium, the Chinese government has encouraged fishermen to take courses on aquaculture to further encourage resource conservation. The government has also encouraged the aquaculture industry to seek out joint ventures with foreign manufacturers who can provide the technology and training required to operate fish farms.

[4] This agreement is described in more detail in the *Actual and Planned Projects* section of this report.

In an attempt to further control fishing practices, the government is considering the introduction of fishing licences and production limits. The revisions to the existing fishing law also provide increased penalties for overfishing, pollution of fishing environments, and ecological damage to fishing areas.

Animal Feed

In 1999, China was the second-largest feed producer in the world with an output of 65.99 million tonnes. This is up from 36 million tonnes in 1991 and is indicative of the strong demand for animal feed. However, the feed industry faces a shortage of raw materials in the coming years. Shortages of protein and energy feeds continue to plague the industry. Although Chinese production of animal feed is forecast to exceed 118 million tonnes by 2010, the deficit for protein feed (which currently stands at 24 million tonnes annually) is forecast to exceed 38 million tonnes, increasing to 48 million tonnes by 2020. Energy feeds face similar shortcomings of 66, 83 and 48 million tonnes in the years 2000, 2010 and 2020.

The ownership of enterprises in China's feed industry includes state-owned, privately owned, joint ventures, co-operatives, township- or village-owned, and foreign-owned facilities. Currently, more than one third of all feed facilities are state-owned enterprises, down significantly from a decade earlier when approximately 60% of all mills were run by the government. Foreign investment in the feed industry has increased substantially, and now accounts for more than 20% of the market.

In general, the demand for animal feed is being driven by changes within the meat and seafood industries. First, increasing numbers of farmers are moving away from traditional crops and into potentially more lucrative areas such as animal production. However, the production of animals is also changing from traditional, backyard farms to larger, commercially oriented farms. These producers use specialized feeds instead of low-cost feed such as vegetable greens and household waste. Also, the developing aquaculture industry has increased demands for high-quality feeds. Farmers have come to realize that high-quality feeds produce high-quality animals that, in turn, can be sold for a more attractive price.

Canadian feed exporters will face strong competition from both domestic producers and international manufacturers. Interprovincial trade of feed ingredients is a popular practice in China as it tends to be less expensive than imported products that are subject to tariffs (generally ranging from 3% to 8%) and the value-added tax (VAT). Domestic prices vary from province to province based on such factors as levels of supply, demand, transportation costs, and the level of development of the local feed industry. Internationally, top exporters of animal feed or feed ingredients include the United States, Australia, Argentina, Brazil, France, Germany and Peru, depending on the specific product.

Pulse Canada has conducted a study of the Chinese feed market in anticipation of China's accession to the WTO and the changes to the feed industry WTO membership will bring. Canadian products, such as feed peas and dehydrated alfalfa, will benefit from lower tariff rates and a lower VAT that will make them more competitive with other feed products. Canadian exporters will need to promote the benefits of lesser-known products such as feed peas, canola meal and alfalfa, which are used less frequently than products such as corn, rapeseed meal and soybeans.

Recently the Chinese government developed new Feed and Feed Additive Regulations, which provide a more comprehensive system for regulating both the domestic industry and feed imports. Under the regulations, first-time importers of feed and feed additives must register with the State Council's agricultural administrative regulatory departments and provide samples and information on their product(s). After the regulatory departments determine that the product is safe, effective and environmentally friendly, they will issue a registration licence.

Some Chinese feed industry analysts speculate that increased meat imports may lead to reduced domestic meat production (from 10% per year to only 3-4%) thus reducing demand for feed grains and soy meal. Meat prices have levelled off in recent months, but demand is still soft and this will affect consumption of domestic meat. However, most analysts believe that increased livestock production will present opportunities for feedstuffs in the southern provinces as the WTO makes it easier to import from the world market rather than buying more expensive feed ingredients of lower quality from the northeast.

Feed Additives

Currently, China has more than 1000 manufacturers of feed additives, which produce more than 1 million tonnes of these products annually. Phosphate feed additives account for more than 80% of this total. However, China continues to fall short of meeting domestic demand for these products, and as the demand for animal feed increases, the gap between domestic production and industry demands will continue to widen.

In addition, China imports over 90% of products such as methionine (an amino acid), which is used in animal feed. The demand for medicinal animal feed additives, such as non-residue antibiotics, growth promotants and coccidiostats are forecast to increase annually over the next 20 years.

Due to the long periods of research, large investments and high technology needed for producing new feed additives, big chemical, medicinal and industrial groups have the advantage in this field. China's feed additive industry is still in the fledging stage. It began with imitation, and because of the shortage of talent, technology and capital, feed additive supplies cannot match the demand from the local market.

Grains and Oilseeds

Grains

With China's accession to the WTO, the government is no longer protecting farmers who produce low-quality grains, by offering them inflated prices for their products. In fact, many of the regional governments have reduced the amount of grains being procured, and instead appear focussed on selling a portion of China's older reserves, despite incurring significant losses on these products. As a result, many farmers have begun to grow other more profitable crops, or have switched to raising livestock. However, Chinese farmers who continue to grow grains are now emphasizing quality over quantity. This will help to guarantee that farmers who produce high-quality products will be able to compete with foreign suppliers.

Domestic prices for many grains, such as wheat, are still higher than elsewhere in the world. Chinese prices for grains are estimated to be 10% to 70% higher than international prices, depending on the product and the region in which the product is grown. This is due in large part to the high distribution costs associated with grain transportation within the country. Over time, improvements to Chinese infrastructure will lead to lower distribution costs, thereby leading to more competitive grain prices.

Chinese wheat consumption is increasing at approximately the same rate as the population. Wheat sales are being driven primarily by rising noodle consumption, which is growing at approximately 10% annually. Wheat consumption is also undergoing an interesting trend. Northern provinces, which traditionally consumed large amounts of wheat-based products, now have access to a wider selection of affordable foods. As a result, consumption of wheat-based products has declined in recent years. Southern provinces have had the exact opposite trend, as rice was traditionally a staple food product in these regions and wheat-based products are now growing in popularity.

In recent years, China has been able to produce enough grain to satisfy local consumption. China's agricultural strategy for this sector was to produce enough grain to meet domestic demands and export any surplus. Therefore, grain imports have declined in recent years despite the increasing demand for these products.

However, many analysts forecast that, because of its steadily growing population and an increasing number of farmers turning to other agricultural sectors, China will be increasingly dependent on imports to supply the growing demand for these products. In addition, droughts during the summer of 2000 will result in decreased grain production. Analysts forecast grain production to decrease by 9.3%, or 11 million tonnes, in comparison to 1999 grain production. Not surprisingly, wheat imports alone are projected to increase to between 3 and 4 million tonnes in 2000-2001.

In 1997, China imported more than $1.2 billion in grains and Canada was the largest supplier holding a 40% market share. Both the import market in general and the Canadian share of the grain market have declined significantly. In 1999, China imported approximately $738 million worth of grain products and Canadian exports accounted for only 15.2% ($112 million) of total imports. Australia was the top exporter of grains to China in 1999, with a value of $312 million, or 42% of total imports. Other top importers (and their respective market shares) were Thailand (15.7%), Denmark (7.7%), the United States (7.3%) and France (7.1%).

Oilseeds

Increased demand for meat, poultry and edible oils has spurred the growth of the Chinese oilseed market in recent years. Currently, annual per-capita consumption of edible oils is 13.1 kg, an increase of 2.1 kg in one year. However, consumption remains relatively low by world standards, at only two thirds of the world average and around 30% of the consumption levels of Taiwan, Hong Kong and Canada. This indicates that the market still has significant growth potential.

The domestic oilseed industry has undergone a significant change in recent years. With reduced barriers to international trade, the government has encouraged farmers to plant higher-quality oilseeds. Although initially reluctant due to low yields of these products, an estimated 30% to 70% of farmers (depending on the region) have now switched to using higher-quality seeds. The most significant benefit to farmers is in the value of items such as rapeseed meal. Not only do higher-quality seeds yield more meal, but the prices for these products have also steadily increased.

Although China will still require imports of rapeseed/canola to fulfill domestic demand, rapeseed production is forecast to reach record levels of between 10.5 and 11 million tonnes in 2000. In 1999, Chinese farmers produced a record 9.8 million tonnes of rapeseed.

China has quickly become the world's largest oilseed importer, with imports exceeding 8 million tonnes annually. This represents a significant change from the mid-1990s when China was importing less than 1 million tonnes of oilseeds. Imports of oilseeds are expected to increase significantly at the expense of oil and meal imports. Currently, imports of soybeans are favoured over rapeseed, as soybeans produce more meal and less oil than rapeseed, and China has an abundance of vegetable oil and a shortage of meal.

Currently, the oilseed market is being driven by the demand for meal that is used as animal feed. With an increasing number of farmers producing livestock, the demand for feed products is expected to grow by 5% to 6% annually for the next few years. However, the domestic crushing industry is estimated to be running near maximum

capacity. As a result, China may be forced to import some meal products in order to fill rising demand for these products.

The Chinese oilseed crushing industry has grown by 33% since 1995. An estimated 12.2 million tonnes of rapeseed/canola will be crushed in 1999-2000, representing slightly less than one third of the worldwide crush, and 14 million tonnes of soybeans, or roughly 10% of the worldwide soybean crush.

In 1999, Chinese oilseed imports totalled more than $2.4 billion. The largest exporter of oilseeds to China was the United States, accounting for 34.1% of total imports. Canada was the second-largest exporter, holding a 16.1% market share. Other top exporters include Argentina (11.5%), Brazil (10.5%) and Australia (8.1%).

Canadian exports of canola are expected to remain stable at 1.2 million tonnes, or approximately $346 million, in 2000. The greatest competition for Canadian suppliers comes from United States and Argentinian soybean exports, which account for the greatest share of Chinese oilseed imports. Imports from Australia and the European Union are expected to decline in 2000 due to production decreases in those regions.

Recently, Canadian exporters have been demonstrating the benefits of lowering the temperature when drying canola meal to 100-105 degrees Celsius. Chinese processors have been impressed with the results of these demonstrations (which demonstrate the nutritional value of canola meal versus soy meal) and are encouraged to explore the possibility of entering into a joint venture with Canadian producers.

Fertilizers

Over the past decade, Chinese farmers have become heavily dependent on fertilizers to improve agricultural production. In fact, during the 1990s, the quantity of fertilizers used in China increased by 90% while grain output increased by a mere 6.5%. Currently, Chinese farmers apply an average of 261 kg of fertilizer to each hectare of land on an annual basis. By contrast, Canadian farmers use roughly 60 kg per hectare while Russian farmers use only 29 kilograms. The Chinese government has identified the overuse and inefficient use of fertilizers, and is encouraging farmers to use these products more sparingly in order to avoid damaging farmlands.

In 1999, Chinese production of chemical fertilizers was estimated at nearly 29.4 million tonnes, an increase of 7.4% over the previous year. As Table 2 shows, production of most fertilizers increased in 1999, although some phosphate-based products declined.

Table 2. Chinese Production of Chemical Fertilizers in 1999

Fertilizer Category/Type	1999 Production (millions of tonnes)	1998-1999 Change (%)
Nitrogenous Fertilizers	24.07	9.8
Urea	29.37	18.2
Ammonium Nitrate	2.29	39.4
Phosphate Fertilizers	4.99	-3.2
Single Super Phosphate	2.76	-5.2
Calcium Magnesium Phosphate	0.59	-26
Other Phosphate Fertilizers	1.65	17.4
Mixed and Compound Fertilizers	3.57	-4.3

Source: *Chemical Business Newsbase*, "Review of Chemical Fertilizer Production in China During 1999: Production," May 11, 2000

Although domestic production of fertilizers has steadily increased, demand for these products continues to outstrip supply. The demand for chemical fertilizers is forecast to be approximately 38 to 40 million tonnes. In fact, fertilizer imports are anticipated to increase for the foreseeable future based on factors such as:

- new strains of crops that require higher levels of fertilization;
- increased land allotment for economically productive crops that generally require more fertilization; and
- increased grain output needed to feed the steadily growing population.

Lower costs associated with foreign fertilizer production will also lead to increased imports. Countries such as Canada, the United States and Russia benefit from relatively cheap raw materials and fuels. The production of sulfuric acid and synthetic ammonia, which are required for fertilizer production, can be two to three times more expensive in China than in other areas of the world. In addition, the quality of raw materials tends to be higher in foreign countries.

According to the Chinese General Customs Administration, 1999 imports of chemical fertilizers totalled 13.35 million tonnes. This was a decline of 4.1% or approximately 570 000 tonnes from the previous year. However, a significant portion of the decreased sales can be attributed to low levels of urea imports, which were subject to severe governmental restrictions. Potassic and phosphate fertilizer imports were encouraged, and opportunities in these sectors should continue to grow.

China's accession to the WTO will lead to increased opportunities for Canadian exporters. It is anticipated that, by 2004, China will remove its customs duties and quotas on imported fertilizers. China will continue to improve its competitiveness in urea and diammonia phosphates, improving its export position on these products. Fortunately for Canada, China will remain in deficit for potash, since Canada is a very competitive supplier.

In 1999, fertilizers were Canada's fourth-largest export to China, with sales of nearly $290 million. Although fertilizer imports declined by 22% over the previous year, these products still represented 8.3% of total exports to China.

Agricultural Biotechnology

Food security and food self-sufficiency are key issues for China. With an ever growing population and increasingly scarce agricultural resources, the need for technology to improve yield and food quality is essential. China was the first country in the world to grow genetically modified crops when it planted transgenic tobacco in 1988. China currently has the fourth largest acreage of GMOs after the United States, Argentina and Canada with approximately 800,000 acres planted in 1999.

Table 3. China – Genetically Modified Seed Acreage 1999-2009

Crop	1999	2004	2009
Cotton	750,000	2,500,000	5,000,000
Soybeans	–	50,000	1,500,000
Corn	–	60,000	2,500,000
Canola	–	20,000	800,000
Potatoes	–	25,000	250,000
Other (including rice and tobacco)	50,000	250,000	1,000,000
Total	**800,000**	**2,905,000**	**11,050,000**

Source: Freedonia Group Inc., "World Agricultural Biotechnology: GMOs to 2004," March 2000.

The most significant genetically modified (GM) crops for China, now and for the future, include cotton, tobacco, and rice. Analysts predict that the majority of all rice, wheat, corn, cotton, soybean, and canola crops will be GM varieties by 2010. Sales of GM seeds are predicted to reach $82 million by 2004. The most common traits for all GM varieties include disease, bacteria and insect resistance, as well as herbicide resistance. The Ministry of Agriculture chairs the National Safety Committee, which to date has received 262 applications for testing of GM crops at any of 4 stages. The stages are research, isolated growing trials, field trials on limited land area (1-2 mu) and commercial production. To date only three varieties of GM cotton are being grown commercially, although varieties of tomato and one each of petunia and green pepper have received approval for commercial production.

The largest GM crop in China is cotton. Varieties of cotton have been modified for insect resistance against bollworms and currently dominate cotton production throughout the country. Yields from modified varieties are significantly higher and insecticide applications are reduced from 12-15 to just one.

There is a strong research component to the agricultural biotechnology industry in China. The Chinese Academy of Agricultural Sciences (CAAS), in particular, has a variety of specialized research institutes devoted to biotechnology research. The government has also created research and development programs with strong agricultural biotechnology components through the National Program on High Technology Development (known as the 863 program), and the National Program on the Development of Basic Research (known as the 973 program). In the early 1990s, six state sponsored research institutes and universities partnered together to begin work on a rice genome mapping project in an effort to develop improved varieties. Other areas of research interest include mapping and molecular cloning, developing salt and drought tolerance, as well as nutritional improvement. However, despite research strength, the biotechnology industry in China is still immature because of limited private sector involvement.

Commercialization of academic research is essential to ensure growth in the industry, but this can only happen with increased private sector research, or a more concerted effort to transfer technology from universities and government funded institutes to companies. Currently the only companies that conduct research and commercialize the results are foreign owned or part of joint partnerships with Chinese companies. For example, Pioneer Hybrid Seeds collaborated with the Cereals Breeding Institute at CAAS to field test GM corn varieties, and Advanta worked on canola research in a project with the provincial academy of agricultural sciences in Wuhan. Monsanto Co., Delta and Pine Land (MDP) established a collaborative research program with the Cotton Research Institute and as a result, the majority of genetically modified cotton seeds planted in China are produced through a partnership between MDP and Hebei Provincial Seed Company. Other companies involved in research the Chinese market include DeKalb and Cargill.

Agricultural biotechnology in China has also not yet devised effective distribution methods. Government owned seed monopolies still control distribution and there do not appear to be effective strategies in place to deal with increased competition as the Chinese market opens to foreign companies.

The National People's Congress passed a new national planting seeds law on July 8, 2000 which is expected to bring more order to China's seed industry when it comes into effect on December 1, 2000. The final law is an improvement over previous drafts, however, concerns still remain over how well the law will be implemented. The law includes special requirements for GM seeds: they are subject to a safety evaluation and strict safety control measures defined by the State Council (Article 14); the

management method for introducing foreign GM seeds is regulated by the State Council (Article 50); commercial GM seeds must be clearly labelled as GMOs (Article 35). What all of this means is that foreign seed companies and their GM seeds will have to pass through an excessive amount of red tape and variety examinations before they will be allowed to enter the commercial market. The government supports the development of genetically modified crops, but wants to ensure public and environmental safety as well as economic protection for Chinese farmers and seed companies. When the implementing regulations come into force prior to December 1, 2000, they will be a step towards establishing national regulations and procedures to support the development of the biotechnology industry. In addition, China signed the Cartagena Protocol on Biosafety of the Convention on Biological Diversity in August 2000, and will likely initiate measures to strengthen inspection and management of imported GMOs. There are currently no limitations on imports of genetically modified agricultural commodities, and no labelling requirements for imported processed foods which may contain GMOs.

There has been limited public opposition to the development of genetically modified foods in China, particularly when compared with reactions in Europe, and increasingly, in North America. There is little discussion of GMOs in the state controlled media, although, the China Consumer Association issued a statement in January 2000 calling for labelling of genetically modified food products.

The Chinese have also applied agricultural biotechnology research to the medical field by genetically modifying potatoes to protect people from the hepatitis B virus. The technology is currently beginning the first phase of human testing. There is also work, at research centres throughout China, on genetically modified animals for both medical and agricultural purposes. The Chinese are working to breed sheep and goats that produce more meat, and to develop human vaccines and antibodies in the milk of goats, rabbits and cattle. In partnership with Denmark, China launched a project in July 2000 to sequence the pig genome and encourage studies on xeno-transplantation. Results from the research are still years away, but the work has attracted the attention of international scientists.

The Chinese see the controversy in Europe and the current ban in GMO imports as an opportunity to develop expertise in China and eventually become a world power in agricultural biotechnology. The most significant opportunities for Canadian companies in this sector are in joint venture and research partnering arrangements with Chinese research centres and companies. There are opportunities for technology transfer agreements and research collaboration in canola, corn and wheat research.

Agricultural Machinery and Equipment

Many Chinese farmers suffer from a lack of machinery and equipment. Generally, used or surplus equipment in Canada is of a higher quality than that currently used by

farmers. Good opportunities exist for exports of used equipment and machinery to China.

Recent Developments, Actual and Planned Projects

The Chinese government has announced that it intends to invest more money in agriculture. The following three areas have been identified by the Minister of Agriculture:

- establishment of agricultural services, with a focus on the implementation of a "seeds program," and setting up a breeding system within the animal industry;
- improvement of agricultural infrastructure through the identification of products suitable for the region or through higher yield products; and
- investment in the conservation of agricultural resources such as cultivated lands, grass lands, water resources, protection of fishery resources, pollution control, and the promotion of organic fertilizers.

In April 2000, the State Development Planning Commission announced that China will make a number of changes to encourage foreign investment in the agricultural sector. These changes in policy include reducing import taxes, income taxes and various other fees. Foreign investment will also be able to enter the agricultural sector through various channels such as joint ventures, wholly-owned foreign enterprises (WOFIs), or through owning stock shares.

In May 2000, the State Administration for Entry-Exit Inspection and Quarantine approved the investment of US$30 million to computerize quarantine systems and border inspection. In addition, this system will link all border entry points into one system.

In May 2000, AFFCO, a New Zealand-based meat company, opened a $14 million beef-processing plant near Chengdu, in China's Sichuan province. The plant was built through a joint venture with two Chinese companies and claims to be the first built to U.S. Department of Agriculture standards. AFFCO holds a 30% share of the project after providing cash, technology and equipment from closed plants in New Zealand.

On June 1, 2000, the new Japan-China fisheries treaty took effect. The new accord, which replaces the 1997 fisheries agreement, will allow 710 Japanese fishing boats to catch up to 70 800 tonnes of fish in its EEZ. In return, 1122 Chinese fishing boats are eligible to catch 70 000 tonnes of fish before the end of 2000 in a designated fishing zone. Korea and China are expected to sign a similar treaty in the near future as soon as the two countries resolve their differences over fishing rights in the Yangtze River region. This agreement is expected to come into effect in early 2001.

In July 2000, Chinese scientists, in collaboration with Danish scientists, began decoding the pig genome. The Chinese government hopes that this project, which follows the completion of the mapping of the human genome, will enable scientists to develop new breeds that will produce more meat and meat with higher protein levels, while generally increasing the efficiency of the pork industry.

The China National Offshore Oil Corporation has agreed to invest US$362 to help build the country's largest fertilizer plant in Dongfang City (in Hainan Province). The plant, which will cost US$966 million to complete, is scheduled to begin operation in 2003. In addition to the natural gas-refining facilities within the plant, 450 000 tonnes of synthetic ammonia and 800 000 tonnes of urea will be produced annually.

Pan Fish, a Norwegian fishery company, is planning to construct a seafood factory and distribution centre in Shanghai. The company has already opened a similar facility in Hong Kong.

The State Administration of Exit-Entry Inspection and Quarantine has announced that in addition to improving tests on genetically altered crops, it will ask foreign exporters to voluntarily label any biotech crops that it exports to China.

The Jilin Provincial Academy of Agriculture is the lead institution for the construction of China's Plant Transgenosis Technology Development and Commercialization Base. Construction began in 1999 and is expected to continue until 2003 with an investment of approximately $54 million. The project includes a number of research installations including greenhouses and test fields throughout the province.

There are several highly successful CIDA-funded projects which offer opportunities to Canadian firms to benefit from their success and positive image in China and to tap into their large networks of contacts. Four of these are described below. For details on how to link commercial interests to the projects, contact the Canadian Embassy in Beijing.

The Integrated Dairy Cattle Breeding Project has been running for nearly seven years, with three years until its completion. This joint project between Canadian and Chinese interests has focussed on improving Chinese cattle herds and milk output through improvement of genetics and dairy cow management. More than 2000 people are trained annually, and Canadian genetics are currently responsible for 70% of dairy breed improvement in China.

The Canada-China Lean Swine Project has also completed seven years of a 10-year plan. This project provides financial assistance for swine production in the poorer regions of China. It also has focussed on improving genetics through testing, evaluation and breeding programs by using Canadian genetics and technology. This project has developed into one of the most successful agricultural assistance programs that the

Chinese government has engaged in, and has enabled the Chinese pork industry to evolve at a very rapid pace.

The Ministry of Agriculture Feed Industry Centre (MAFIC) has become renown in only three years as a Centre of Excellence in the feed industry. MAFIC is at the forefront in collecting, translating, and disseminating technical/scientific information on any aspect of feed industry advancement. Its superior performance in feed testing and analysis for the feed industry is adding greatly to its reputation. Recently, it has earned the designation as a National Feed Engineering Technology Research Centre, and has launched an aggressive extension program that has penetrated about half of the provinces in China.

Phase II of the Hebei Dryland Project is almost complete. It has transferred and produced new technologies in water-saving irrigation, sustainable cropping systems, plant breeding, integrated pest management (IPM), environmental conservation and agro-meteorology. New varieties of wheat that are more drought tolerant and produce superior yields, and suppression of pests through IPM are just a few of the projects accomplishments. The project has developed a very positive image for Canada in Hebei, Henan, Shandong, Shanxi and Inner Mongolia and technologies developed as part of this project will figure in new projects in Inner Mongolia.

COMPETITIVE ENVIRONMENT

Local Capabilities

At present, China is simultaneously undergoing a transformation from a self-supporting agricultural economy to a large-scale commodity economy and a transformation from traditional agriculture to modernized agriculture. As agriculture in China moves from a centrally-planned to a more market-oriented system, new constraints to efficiency are developing. Central to these are inadequate legal and banking systems and lack of an adequate system for timely information on market supply and demand. Also, there are often considerable post harvest losses for many commodities due to inadequate storage, handling, and transport facilities.

The most productive agricultural areas in China are concentrated in the eastern half of the country within three fertile river plains of the Yellow river, Yangtze river and the Pearl river valleys. The western region of China is primarily mountainous, containing the high plateaus of the Tibetan Highlands and the vast desert basins. While this region accounts for almost half the nation's land area, it contains only 5% of the population.

China is one of the world's top producers of rice, wheat, corn, and soybeans. It is also one of the largest importers of wheat, corn, and rice.

Despite the growing market, China's policy of food self-sufficiency continues to restrict food imports. This policy also emphasizes the need to earn foreign currency by importing commodities for further processing and reexport abroad.

According to the Chinese government there are roughly 50,000 food producers in China. While this may point to a number of processed food producers and a large, well-developed market for processed foods, the majority of these producers are involved in the semi-production of such products as oils, seeds, and fats. Government statistics also state that 85% of these producers have some degree of state ownership.

Trade Policy and Competitive Analysis

The Chinese government actively protects domestic industries by banning the sale of some key food producers or the sale of any agri-food producer involved in an industry the Government believes is threatened by foreign producers, such as a recent ban on the purchase of non-alcoholic beverage producers. The Government has also banned certain food products from changing their brand name after a foreign buyout. The Government also actively promotes investment in industries and regions it believes are the most desperate for investment while blocking investment in other sectors.

The central purchasing agency, China National Cereals, Oils, and Foodstuffs Import Export Corporation (COFCO), continues to play a key role in the importation of several commodities. The most important ones are wheat, rice, corn and edible oil. In 1994, imports of some products, including edible oil, were liberalized, allowing end users to purchase many of these products directly. However, later the same year, COFCO reasserted central control of edible oil imports. There are currently six state enterprises, including COFCO, which are authorized to import edible oil. Other products subject to restrictive licenses, quotas, and/or state trading include sugar, tobacco, and alcoholic beverages. This reflects the fluid nature of the situation in China. Liberalized sectors may revert to central control and centrally managed sectors may be liberalized at the discretion of central authorities. Quotas are also evident for various products, both state and non state traded. These quotas are also non transparent and subject to administrative discretion. For example, joint-ventures importing some products that are supposedly "liberalized" (no longer subject to quantitative restrictions), such as oilseeds, have reported difficulty accessing import licences. The role of the COFCO is changing and is likely to continue to be transformed in the wake of China's accession to the WTO.

Farm and Food Policy

China has liberalized much of its economy since the early 1980's, including agriculture. However, its food policy objectives have changed little in the past 40 years. The objectives are to ensure adequate urban food supplies, accumulate sufficient grain

reserves, stabilize food prices, promote food self-sufficiency, participate in world trade, and improve farm income.

Agricultural productivity has grown rapidly since the abandonment of collectivized agriculture in 1979 in favour of personal incentives and the "Household Responsibility System" (HRS). Giving decision-making back to the farmers after thirty years of central planning has improved efficiency by allowing farmers to retain the rewards of greater effort and by encouraging the reallocation of land between crops. However, crops deemed essential to social or economic stability, such as wheat, barley, rice, soybeans, corn, and cotton, remain under government regulation. They are subject to obligatory sales to the government before any surplus can be sold commercially.

In the agricultural economy, markets and market forces have become increasingly important, but since 1994 the Chinese government's role has intensified in the markets for several basic commodities. This policy reversal - intended to boost grain production - is a response to higher inflation, concerns for food self-sufficiency, and a decline in area sown to grains.

In early 1995, the central government initiated a new grain policy giving provincial governors the responsibility of maintaining the "grain bag". The policy applies to all grain crops (wheat, corn, and rice) and some oilseed crops. Governors are responsible for:

- stabilizing area sown to grains;
- guaranteeing investment in inputs like chemical fertilizer to stimulate grain production;
- assuring that certain quantities of grain are put into stocks;
- guaranteeing that scheduled transfers of grain in and out of the province are completed;
- allaying urban residents' concerns by supplying grains and edible oils; and
- stabilizing grain and edible oil prices.

Additional responsibilities include developing a means to control grain markets, the control of 70-80% of commercial grain sales, grain imports and exports, and raising the level of grain self-sufficiency.

The policy stimulated provincial governors to use financial and administrative means to push farmers to expand grain acreage. At the same time the governors used their political and administrative powers to make certain that appropriate quantities were available to farm families to grow grain crops.

The Government now has control over the wholesale grain markets as well as local grain marketing. The Government continues to maintain a tight grip on grain imports and grain exports through its state trading corporation, COFCO, and is in the process of

strengthening its control over state-owned grain stocks through the China Grain Reserves Corporation (also known as Sinograin).

The end result of the "grain bag" policy has been to raise the level of food self-sufficiency and reduce imports. However, the drive to increase food self-sufficiency has been costly. Considerable resources were expended by government authorities to implement the policy. Land that could have been planted with more competitive crops, such as fruits and vegetables, spices, and nuts, ended up in grain, delaying China's transition to producing a greater mix of agricultural products in which it has a comparative advantage.

In terms of the efficient use of agricultural resources, an obstacle for farmers in the past has been the government's unwillingness to allow private ownership of land. At present, all land is leased from the government, on terms which vary with the crop sown. Without secure land tenure, farmers often pursue short-run over-exploitation of the land they occupy, to over-crop and over fertilize, to the detriment of long-run sustainability. Lease terms are currently a maximum of fifteen years (up from only three years prior to 1995) and the State Farm System (SFS) is embarking on a new round of reforms which will further increase farmers' autonomy. It will also encourage the formation of larger and more efficient farms in the countryside. The proposals to allow land holdings held by individual households to be transferred would lead to the emergence of a more mechanized, less labour-intensive style of farming. The reluctance of peasants to invest in the land leased from the state will be overcome by extending existing tenure arrangements by an additional 30 years.

For many primary agricultural products, the Chinese government has encouraged a level of production which will meet domestic demands and any additional products will be exported to other countries. Although China is generally self-sufficient for many products, the combination of the world's largest population and only 7% of the world's arable land has resulted in China being dependent on imported products to meet growing demands in a number of areas. Chinese technology and production techniques will improve with increased interaction with other WTO member countries, however, it is widely believed that China will become increasingly dependent on imported products to feed its growing population.

With a farming population estimated at 800 million, it is not surprising that each product within the primary agricultural product market has thousands of different suppliers. However, China's increasingly liberalized market has forced many farmers to run operations in a more business-like manner, or risk becoming uncompetitive. Over the next few decades, China's manufacturers of primary agricultural products will generally develop into a smaller number of larger producers with much more streamlined operations.

Although the government continues to regulate many facets of the agriculture sector, the market is becoming increasingly liberalized. The number of independent supermarkets, suppliers and distributors has increased significantly in recent years. This, in time, will allow the products to pass more easily in and out of the Chinese market.

International Competition

Competition for Canadian exporters varies significantly depending on the product.[5] However, the main competition for Canadian producers of primary agricultural products comes from countries such as the United States, Australia, Argentina, Brazil, Japan, South Korea, Taiwan, Thailand and a number of EU countries. Although the United States has a significantly larger market share than Canada, exporters tend to analyse access issues (tariffs, quotas, distribution costs, etc.) facing U.S. products, as Canadian companies face similar challenges in entering the Chinese market.

Canadian Position

According to the World Trade Atlas, in 1999, total Canadian exports to China were valued at approximately $2.7 billion, or 1.4% of China's total imports. Canada was the seventeenth largest exporter to China. However, Canadian agricultural products, and more specifically basic commodities such as oilseeds, fertilizers and grains represent a significant share of total exports. In many cases, Canada is among the top five sources for imports for many agricultural commodities.

Primary agricultural products will also benefit from Chinese consumers' impression of Canada as a clean, natural and environmentally friendly country. With strong growth projections for China's middle class, there will be increased opportunities for imported foods as disposable incomes rise. However, Canadian exporters will face stiff competition from foreign suppliers, and will likely need to invest time and money educating Chinese consumers about the benefits of, and preparation techniques for, Canadian goods.

Competitive Advantage Through Canadian Government Policies and Initiatives

Agri-Food Trade Program

The Agri-Food Trade Program (AFTP) is a cost-shared contribution program designed to support Canadian agri-food industry activities in areas of market readiness, market access and market development. The objective of the AFTP, which combines the

[5] Please consult the *Opportunities* section of this report for more detailed information on foreign competition within specific product categories.

Agri-Food Industry Market Strategies (AIMS) and Agri-Food Trade 2000 (AFT2000) programs, is to increase sales of agriculture, food and beverage products in domestic and foreign markets.

A priority of the AFTP is to encourage Canadian agri-food associations and alliances to develop and implement sectoral export market development strategies to improve their global competitiveness.

Canadian Commercial Corporation

The Canadian Commercial Corporation (CCC) gives Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. The CCC will also act as a prime contractor on behalf of Canadian small and medium-sized enterprises, giving those businesses increased credibility and competitive advantage.

Export Development Corporation

Export Development Corporation (EDC) is Canada's official export credit agency offering export financing and insurance to Canadian exporters. Since 1986, the EDC has been helping Canadian exporters large and small do over $5 billion worth of business in China. Financing is traditionally offered case by case through lines of credit established through approved Chinese banks. Export financing may also be considered via direct buyer loans to qualifying, creditworthy companies having Chinese government authority to borrow funds abroad. EDC export and investment insurance programs provide exporters with protection against a variety of risk, commercial and political. Performance security and contract bonding programs help exporters free up their working capital lines while dealing with bonding requirements during the execution of commercial contracts.

Program for Export Market Development

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible costs and activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from $5,000 to a maximum of $50,000. Preference is given to companies with fewer than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between $250,000 and $10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information, visit http://www.infoexport.gc.ca/pemd-e.asp or call 1-888-811-1119.

WIN Exports

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit http://www.infoexport.gc.ca/winexports/menu-e.asp or call 1-888-811-1119.

PUBLIC-SECTOR CUSTOMERS

Despite increased liberalization, the Chinese government is still heavily involved in the retail sector. Typically, the government is involved in state-run shops, in which products are stocked behind counters and handed to customers by the staff. State-owned stores have begun to lose business with the opening of supermarkets, which offer a wider selection of products at competitive prices. In addition, depending on the product sector, many of the large producers/importers are either partially owned or fully owned state enterprises.

MARKET LOGISTICS

Due to the fact that each region within China oversees its own food and beverage distribution system, inter-regional trade has traditionally been weak. As a direct result, local officials often regard regional economies as proprietary, frequently creating barriers for products from other regions or countries. Analysts predict that this trend will become less prevalent due to factors such as the development of national retail chains. Companies exporting to China may wish to invest in their own distribution infrastructure, or form distribution agreements with other western companies, to avoid any logistical problems or delays.

Given China's internal transportation difficulties and developmental disparities across regions, distribution systems vary significantly by region and market. Exporters are therefore encouraged to explore regional or metropolitan markets rather than attempting national distribution. The eastern coastal regions of China, which include the

states of Shanghai and Beijing, represent the strongest consumer markets for imported goods.

In contrast to the situation in China is Hong Kong's thorough and efficient distribution infrastructure of roadways, railways and shipping companies. Hong Kong's role as a major import port for China will likely continue for years to come, although market logistics in China will become increasingly sophisticated.

Channels of Distribution

In general, most food products are still shipped through Hong Kong. Some of the large, experienced exporters have begun dealing directly with Chinese freight forwarders, carriers and retailers while smaller exporters tend to prefer to reduce their risks by shipping through Hong Kong. The speed with which more products are shipped directly to China will be based on whether or not exporters have positive or negative experiences in the next few years. However, no matter what the outcome, the general consensus appears to be that this will be a slow, drawn-out process that may take decades to fully complete.

Transportation and Storage

Even though Canadian exporters will have increased access to the Chinese market through bilateral and multilateral agreements, one of the greatest obstacles for potential exporters involves China's transportation system and storage facilities. Although China has already begun investing in infrastructure improvements, the transportation system is underdeveloped and sometimes difficult to negotiate. Widespread progress in this area will take years to accomplish. In the meantime, exporters will have to negotiate the existing system as best they can.

When using the Chinese distribution system, exporters should also account for lost or stolen items, and unexpected fees at points of entry. Loss of product(s), especially perishables, is considered part of doing business in the Chinese market and many agents include a sizeable charge, in addition to their regular fees, to cover "unexpected miscellaneous costs."

Shipping by sea is the easiest and least-expensive mode of transport. Many manufacturing plants are located, or are planned to be built, on the coast or along rivers, in order to take advantage of these natural transportation routes. The special economic zones of Xiamen, Shantou, Shenzhen, Zhuhai and Hainan are all situated along the southeastern coast of China and have full shipping access. Economic and technical development zone ports, with different regulations and economic benefits, are located along the full extent of the eastern seaboard.

There are currently 235 ports in China according to the State Port Administration Office. Although many ports are relatively new (built within the last 20 years) most of these facilities are relatively small, with only 30 ports handling 80% of total Chinese shipping.

Between January and April 2000, the handling capacity of China's main ports increased by 26% over the same period in the previous year. With the continued inevitable growth in container movement, the Chinese government has identified the need to improve existing ports and build new facilities to accommodate newer larger container ships. The 10th Five Year Plan should be available in early 2001, and may identify ports that will receive development support.

As Table 4 shows, Shanghai is China's largest port. Annually, Shanghai handles roughly 25% of the country's total port cargo. Although the amount of cargo passing through this port is forecast to triple by 2010, Shanghai, like many of China's ports, faces two geographical problems. First, the depth of its harbour is only 7 metres, which is too shallow for many of the world's largest ships. Second, it has significant silt build up, which requires constant dredging. In order to facilitate the increased flow of goods, the Chinese government is considering linking Shanghai to Ningbo, the country's deepest port, which is located to the south.

Table 4. China's Largest Ports (by total cargo handled), 1999

1. Shanghai	6. Qingdao	11. Xiamen
2. Qinghuangdao	7. Shenzhen	12. Yingkou
3. Ningbo	8. Zhanjiang	13. Yantai
4. Dalian	9. Lian	14. Fuzhou
5. Tianjin	10. Rizhao	15. Yantian

Source: Agriculture and Agri-Food Canada. *China Agri-Food Prospectus*, April 2000.

Although most ports have enough storage facilities, they are of poor quality. Most are adequate for general cargo, but companies importing frozen or fresh products should note that cold storage remains a significant problem. Poor storage, or a lack of storage facilities often results in fresh or frozen products being left out for hours before being properly stored again. This can lead to a tremendous loss of goods.

In many cases, exporters of chilled or frozen products are limited to supplying coastal cities due to a lack of infrastructure, national refrigeration systems and effective distribution network outside of the main coastal cities and ports. Local government regulations forbid entry of distribution companies to service retailers. As a result, there are no third-party cold storage and distribution service companies with the expertise, experience, storage equipment or technology to alleviate the severe distribution problems and inefficiencies.

Once shipments reach China, rail is the cheapest form of transportation for locally manufactured goods and offers greater access to inland cities than any other mode of transportation. However, 10% to 12% of all freight is damaged due to mishandling. While domestic goods have priority, the addition of trains at fixed times and fixed prices between Beijing, Shanghai and Chengdu has improved service. More routes have also been added to run between major urban centres and inland areas.

Trucking, which is the most efficient and cost-effective distribution option, has benefited from the recent construction of new road systems linking major cities to surrounding regions. The government has also taken action to reduce the number of highway robberies and illegal toll charges enforced by police impersonators.

Importers and Intermediaries

Chinese importers usually prefer to establish direct trade links with foreign suppliers, or to work through an intermediary in Hong Kong. However, with China's accession to the WTO and the opening of Chinese borders to a growing number of products, intermediaries are falling out of favour with most Chinese importers because importing products directly reduces costs for local companies. Canadian companies attempting to enter the Chinese market will find it more cost-effective to approach suitable buyers directly in the local market. If a company is willing to incur the added expense, using an intermediary has the advantage of superior market intelligence and improved communication for customer servicing. Typically, importers will ensure that all Chinese documentation and labelling requirements have been met by the producer.

Direct Sales

Until recently, foreign companies were not permitted to directly engage in trade with China other than through direct marketing of goods that they have manufactured in China. One of the few exceptions to this rule was for stores that were partially financed by foreign investment. These outlets were able to import products directly. However, the recently signed bilateral trade agreements with other WTO countries will allow the direct importation of certain products. Although companies are able to export directly to China, it is widely believed that many foreign exporters will continue to ship their products through Hong Kong, as local agents have both the experience and the contacts to make the exporting process as smooth as possible.

Distributors and Wholesalers

Many established trading companies and distributors have exclusive agreements with their suppliers, which do not allow the distributor to represent a competitor. However, approaching distributors handling complementary products can lead to distribution contracts that will sell products through many of the same routes. If this kind of arrangement can be established, it could result in good cost and distribution

advantages. Forming equity or contractual joint ventures can be advantageous to companies that plan to enter the rapidly developing Chinese agricultural market. This is particularly true for companies whose products are expensive to ship. It is less expensive to distribute through existing networks rather than to establish new networks.

State/private wholesalers handle the majority of distribution in China. They are often the result of decentralization of state companies, becoming regional private-sector companies with good government contacts to facilitate customs clearance and minimize bureaucracy, but limited in geographic area served. Prices are often competitive, with rapidly improving services, however product damage through poor handling can occur.

Foreign wholesalers offer wider national or multi-regional service in China, in addition to a more modern range of distribution services. Distribution networks through foreign wholesalers are often extensive, and the exit cost is lower for the manufacturer if it needs to pull out of the market. However, foreign wholesalers are more expensive than domestic distributors, resulting in higher retail prices for the consumer. Local wholesalers are also generally more knowledgeable about regional markets.

The choice of retailer to which the wholesalers deliver products is vital to the success of the product. Retail outlets in China can be classified into state-owned, collectively owned and privately owned enterprises, including individually owned distribution outlets.

State-owned outlets are responsible for most of China's large department stores and account for about 40% of retail outlets, though they carry few imported products.

Collectively owned enterprises consist primarily of co-operatives in villages and towns, although there are also a number of shops in large cities that operate under this system. This retail distribution accounts for around 25% of the national distribution system. The Chinese government frequently exercises a large degree of control or supervision over the actions of these co-operatives.

Privately owned enterprises currently account for 20% of Chinese retail outlets, but their market share is predicted to grow at the expense of collectively owned enterprises. This sector includes the developing supermarket and hypermarket industry. Western-style supermarkets are new to China, but are developing rapidly. They carry the highest percentage of imported and Western-style foods, and provide the best entry point for newly imported products since they are geared toward more affluent Chinese consumers.

Agents and Sales Representatives

Exporters are required to use a domestic agent when operating in the Chinese market. In addition to offering exporters a physical presence in the local market, these agents and sales representatives can provide vital links to distributors, wholesalers and retail

outlets. In essence, employing a reliable agent often involves taking on a variety of other partners including truckers, customs brokers and other agents. If a company wishes to either establish its own distribution network or use another company's privately operated network, agents can assist in making contacts.

An exporter must weigh a number of factors when selecting an agent, such as which region(s) the agent covers, the individual's reputation, product knowledge, experience in handling the exported product, the commission to be paid, what (if any) after-sales service is provided, and the size and quality of the agent's staff. These attributes can best be assessed during a visit to China, during which time manufacturers should also make sure that responsibilities are clearly defined before entering into a business relationship. As a new exporter becomes more accustomed to the market, and expands its knowledge of the market, less dependence upon the agent will be required.

Market-entry Considerations

Pricing

One of the primary concerns when entering a new market is the pricing strategy. Endeavouring to enter the market by low product pricing may be futile if Chinese retailers mark up the price to boost their profit margins. Many foreign products are victims of premium pricing, despite marketing efforts to avoid this result. It may be necessary to endure this while trying to build better business relations with retailers through a Chinese agent. As brand recognition is established and the product becomes more successful in the market, a move to produce locally will help to lower manufacturing costs. The combination of lower manufacturing costs and being a local producer will help in reducing prices and increasing profit margins. However, some premium-priced foods have experienced success by focussing specifically on the food-service sector, where prices can be significantly higher than through other channels.

Suggested Business Practices

Establishing a personal relationship with Chinese business associates is an important step in successfully entering the Chinese market. In many cases, trust between business parties is as significant, if not more important, than contractual agreements. Sharing information on personal interests as well as showing an interest in your business associates can quickly strengthen business ties. Once established, maintaining solid relationships will depend on frequent face-to-face meetings with Chinese counterparts, as well as a long-term commitment to the market.

Making potential business associates feel comfortable will also strengthen business relationships. For example, providing literature and business cards in both Chinese and English, as well as learning a few words of Chinese, is appreciated by Chinese

businesses. In addition, the effort of obtaining translations will be interpreted as an indication of your commitment to doing business with the Chinese company.

The use of interpreters is strongly recommended for business meetings. Interpreters allow Chinese business associates — even those who speak English — to feel more relaxed, and perhaps enables the Canadian exporter to provide more details than they could while speaking English. Interpreters should be briefed about both companies involved, specific products, and the objectives of the meeting. Following the meeting, interpreters should provide a debriefing about the tone and any private verbal and/or non-verbal exchanges that may have taken place among the Chinese business associates.

Like many Asian countries, the hierarchical structure of Chinese companies differs from those of North American companies. Many business initiatives start at the bottom of a company and "work their way up". Foreign companies often bypass lower levels of administration in an attempt to appeal to senior personnel. More often than not, this type of approach results in the alienation of key decision makers

Participation in some of China's many specialized trade shows and exhibitions is an excellent method for potential exporters to both assess the market and make contacts.[6] Due to the extensive preparatory requirements of these events, combined with the need to communicate in Chinese, it is recommended that Canadian exporters select an agent or distributor before attending the show. This is usually a prerequisite to effective participation and provides support to the agent's or distributor's work in effectively representing and profiling the exporter's product. However, with or without an agent or distributor, participation may enable exporters to benefit from the following:

- local pricing information;
- information about competing products;
- a chance to measure consumer acceptance of a product;
- product exposure in the Chinese market; and
- an opportunity to find an importer or distributor.

Intellectual Property Rights

As a result of a Memorandum of Understanding on the Protection of Intellectual Property (IPR MOU) signed between China and the European Union (EU), Japan, Switzerland, Sweden and the United States in 1992, products can be patented for a full 20-year term in China. China has also established regulations to protect products awaiting official approval and registration. Patent applications by foreign firms must be

[6] A list of agricultural trade shows appears at the end of this report. Exporters should contact the Canadian missions in China about additional trade shows that may be relevant to a specific product.

made to the Patent Agency of the China Council for the Promotion of International Trade, the Shanghai Patent Office or the Hong Kong-based China Patent Agent. Patent applications and proceedings are published in the Patent Gazette 18 months after initial filing.

Trademarks are valid for 10 years from the approval date and can be renewed upon application. Foreign companies must apply to the State Administration of Industry and Commerce for a trademark.

Canadian companies should be aware that although China has indicated a strong commitment to improving property rights protection, trademark infractions although the theft of patented technology is still prevalent in the country. As well, agricultural biotechnology patent issues are relatively new and can be quite complicated. There appears to be a shortage of experience of experts with combined sciences and intellectual property experience. Accordingly, Canadian exporters may wish to enlist the services of a qualified lawyer familiar with China's intellectual property rights environment.

Import Regulations

Traditionally, the Chinese government protected many areas of the domestic agriculture sector by imposing high tariffs on imported goods. However, China has lowered tariffs on many products, and the average duty for imported agricultural products currently stands at 22%. After China officially joins the WTO, this rate will decrease to approximately 17.5% and will continue to decrease marginally through 2004. All agricultural products are still subject to the VAT, which ranges from 13% for fresh or unprocessed goods, to 17% for frozen and processed foods.

The CFIA has reached agreements with China's State Administration for Entry-Exit Inspection and Quarantine about Chinese sanitary and phytosanitary measures (SPS) rules affecting Canadian exports of beef, pork, poultry, animal genetics and seed potatoes. These protocols are updated periodically to ensure they meet Canadian and Chinese requirements.

In addition to tariffs and the VAT, imported foods may also be subject to other taxes. Businesses selling goods into China often complain about China's customs valuation practices, as different ports of entry may charge different duty rates on the same products. Because there is flexibility at the local level in deciding whether to charge the official rate, actual customs duties are often the result of negotiations between business people and Chinese customs officers.

Non-tariff barriers are administered at national and sub-national levels by the State Economic and Trade Commission (SETC), the State Development Planning Commission (SDPC), and the Ministry of Foreign Trade and Economic Co-operation

(MOFTEC). These non-tariff barriers include licences, quotas and other import controls. The level of imports permitted under these measures was determined through complex negotiations between the central government, the provinces and Chinese ministries.

MOFTEC uses import licences to exercise an additional nation-wide system of control over some imports. Many products are subject to both quotas and restrictions on top of import-licensing requirements. For these products, MOFTEC must decide whether to issue a licence after permission has been granted by other designated agencies for importation. MOFTEC officials claim that import licences are issued automatically once other agencies have approved an import.

In an attempt to speed up customs clearance procedures, the Chinese government recently merged a number of its inspection agencies into one bureau. The China Animal & Plant Quarantine Bureau, the State Administration for Commodity Inspection (SACI) and the Health Inspection Bureau were all merged in the new State Administration for Entry & Exit Inspection and Quarantine (CIQ-SA). The CIQ-SA is responsible for inspecting all imported foods and beverages for the following:

- sanitation and health;
- quality;
- quantity;
- weight; and
- labelling.

Importers or distributors should apply to the CIQ-SA to get labelling approved before shipments arrive in China. This will help to keep border delays to a minimum.

In 1998, the Chinese government began cracking down on the smuggling of products into China. Customs officials now thoroughly check imported goods for all correct documentation to ensure that all products are being claimed and that products are not entering at an undervalued rate. Although this has not put an end to imports through illegal channels, the number of products entering by these means has been significantly reduced and will continue to decline in the future. Both government officials and industry analysts hope that this will lead to a reasonably transparent system in the not too distant future.

Since 1988, China has established a number of duty-free import/export zones and five special economic zones: Shenzhen, Shantou and Zhuhai in southern Guangdong Province, Xiamen in southern Fujian and one on the island of Hainan. These zones facilitate foreign investment and trade by offering lower business tax rates and operating costs, a better investment climate, a more developed infrastructure, and lower local taxes and rent. In deciding where to locate, some foreign firms have found that the willingness of authorities to cater to the specific needs of the investor is more important than the official incentives mentioned above. Attracting business to their region results

in benefits for companies — such as jobs and economic spin-offs — in addition to those provided by the special economic zones. Cheap labour, additional tax breaks, easing of construction restrictions, and low property and construction costs attract the business, while extra perks are developed for ownership and management. Though the special zones provide incentives, investors should bear in mind the distance to the target market, as well as the availability of supplies and labour.

Local Standards, Certificates or Registrations

The Food Hygiene Law regulates all domestic and imported food production and operation within China. The Law also governs areas such as additives, containers, packing materials, instruments, equipment, places of production, and detergents and disinfectants used in association with food products. Canadian exporters should review this law, prior to shipping, with their Chinese agent(s) to ensure that imported goods conform to all regulations. Goods must be inspected at entry ports prior to customs clearance.

All products exported to China must be accompanied by a set of shipping documents. All essential documentation should be thoroughly checked to ensure that it is correctly prepared and arrives with the shipment. All documents should be completed in both English and Chinese in order to avoid any unnecessary delays.

Commercial Invoice

The commercial invoice serves as a bill to the buyer from the exporter and must accompany every shipment to China. Invoices must be signed by the exporter. The invoice should be thoroughly checked, since any errors or omissions can result in delays, fines or even confiscation of the goods. Although there is no specific format for this documentation, the invoice must include the following information:

- place and date of issue;
- names and addresses of importer and exporter;
- detailed description of the merchandise, including identifying marks, quantities (in units customary to international trade), numbers and varieties;
- method of shipment;
- signature of responsible officer, along with name and title;
- all insurance and freight charges; and
- shipper's invoice number and customer's order number.

Exporters should consult with their importer/customer to determine how many copies of the commercial invoice should be sent with each shipment, since the number of copies required depends on the product being shipped. Any promotional information should also be included with the commercial invoice.

Pro-Forma Invoice

Pro-forma invoices are simply quotations used to resemble commercial invoices. They are often rendered in advance of shipment, in order to obtain pre-payment or to arrange for letters of credit.

Similar to a commercial invoice, a pro-forma invoice will include the customer's name and address, any parties involved in the transaction if different from the customer, the terms of the sale and the terms of the payment. It should itemize each item quantity with its unit price as well as an extension for each item quoted. Items totals should also be included.

Packing List

A packing list is necessary when multiple packages are shipped, unless the commercial invoice provides the required information. The list should include the number of packages within one case; the net, gross and legal weights of each case and of the total shipment; and the volume of individual packages, as well as of the shipment as a whole.

Bill of Lading

The bill of lading is the shipper's acknowledgment of receipt of the shipment. Each shipment may contain a set of bills of lading, one copy of which should be kept on file, while other copies are sent to the importer and customs broker (if applicable), respectively. The bill of lading should include:

- description of the product(s);
- weights and measurements of the packages and their types;
- ports of origin and destination;
- names and addresses of shipper, importer and customs broker;
- any freight or other charge incurred;
- number of bills of lading in the full set; and
- the carrier's acknowledgment of receipt "on board" of the goods for shipment.

Depending on the product, it may be necessary for exporters to include storage temperature and requirements on the bill(s) of lading.

Certificate of Origin

A certificate of origin verifies that the goods originate in Canada and are therefore subject to all duties or taxes that apply to Canadian products.

Export Declaration Form

Exporters whose shipments have a value of $2000 or more must complete an Export Declaration Form (Form B-13). Although exporters are technically responsible, agents, brokers or carriers typically complete the form and submit it on behalf of the exporter.

Import Quota Certificate

An import quota certificate is required for all general commodities. This document is also required to apply for an import licence, which must be obtained if the importer is not registered as a national foreign trade corporation.

Additional Information

Where applicable, inspection certificates issued by the CIQ-SA or its local bureau are required. Any special requirements should be spelled out in the importing contract for each transaction.

In general, exporters must comply with the instructions of the importer or shipper regarding the required number of copies of each document. The information in each document should correspond exactly to the details contained in other documents for the same shipment. The description of the goods must be clear and concise, and must incorporate all relevant details and costs. An official of the exporting firm (or authorized agent) is required to sign the respective documents.

Mail and parcel post shipments require postal documentation in place of bills of lading. Air cargo shipments require air waybills in place of bills of lading. A caption reading "The People's Republic of China" should appear on the documentation, and all parcels should be sealed.

Authentication of documents

The Chinese government requires that some documents be authenticated, such as certificates of sale and letters authorizing an exporter's local agent or importer to act on their behalf. Documents must first be notarized in Canada, then can be authenticated, at no cost, by sending them to the Authentication and Service of Documents (JLAC) division, Department of Foreign Affairs and International Trade.

Export Credit Risks, Restrictions on Letters of Credit, Currency Controls

One of the greatest risks to Canadian exporters involves the receipt of payment. Conditions of payment should be clearly outlined and mutually agreed upon by both the Canadian exporter and the Chinese business associate before any products are shipped.

Generally, the three methods of payment used by exporters to China are:

- payment upon receipt of shipment;
- delay of payment (payment is made after a set number of days — e.g. 30 or 60 days); or
- consignment.

Consignment is widely used by exporters who are entering the Chinese market for the first time. Consignment essentially allows Chinese retailers to attempt to sell a new product to consumers without a finalized agreement with the foreign supplier. By using this method of payment, the Canadian exporters and their Chinese counterparts can assess whether or not a product has been accepted by consumers (after an agreed-upon period of time), after which details to complete the transaction can be arranged.

Payment for products which must be sold relatively quickly after their arrival, such as live seafood, is usually made before the product is shipped. Cash, wire transfer, or letters of credit are all common forms of payment for this type of product. Wire transfers, which are only used for transactions that are low in both value and volume, are inexpensive and easy to arrange through the Bank of China. A letter of credit, on the other hand, can be expensive and may take a long time to process. However, this form of payment is recommended as it guarantees Canadian exporters that they will be paid within a set period of time. Letters of credit account for almost 80% of all export financing and payment transactions to China.

Canadian exporters are advised to contact EDC, which offers insurance programs to protect Canadian exporters against non-payment by Chinese buyers.

PROMOTIONAL EVENTS

Event/Description	Organizer
SIAL China 2002 April 10-13, 2001 (Biennial) China Everbright Exhibition Centre Shanghai, China A wide variety of foods on display, both commodities and value-added products.	Exposium 1 Rue du Parc F-92593, Levallois-Perret Cedex, France Tel.: (33-1) 49-68-51-00 Fax: (33-1) 47-37-74-38 Internet: http://www.exposium.fr E-mail: sial@sial.fr
Agro-Foodtech China April 24-26, 2001 (Annual) China International Exhibition Centre Beijing, China Agricultural machinery and supplies, animal breeding, food processing and supplies.	As above
Agro Expo China – Shanghai March 14-16, 2001 TBD Shanghai, China The country's leading and longest running agriculture trade event will make its Shanghai debut. The show focusses on the latest products and technologies in agriculture/agribusiness, animal husbandry, agriculture machinery and poultry, swine and livestock development, equipment and marketing.	E.J. Krause & Associates, Inc. Capital Mansion Suite 2005 6 Xin Yuan Nan Rd. Chaoyang District Beijing, China 100004 Tel.: (86-10) 8451-1832 Fax: (86-10) 8451-1829 Email: ejk@public3.bta.net.cn
Food China August 28-31, 2001 (Annual) Shanghai Mart Shanghai, China Foods and beverages, services and equipment related to food processing and services.	Hong Kong Exhibition Services Ltd. 9th Floor Shiu Lam Building 23 Luard Rd. Wanchai, HK Hong Kong Tel.: (852) 2804-1500 Fax: (852) 2528-3103 Internet: http://www.montnet.com E-mail: exhibit@hkesmontnet.com.hk
Foodex China September 5-8, 2000 (Annual) China International Exhibition Centre Beijing, China Food, food processing, packaging, laboratory equipment, beverage and brewery supplies and equipment.	Union Fair and Trade Co. Ltd. Flat A&B, 2/F Haoling Mansion 122-130 SieYou XinMa Lu Guangzhou 510600, China Tel.: (86-20) 8736-1889 Fax: (86-20) 8736-1350

International Chemical Industry Fair (ICIF) September 19-22, 2000 (Biennial) China International Exhibition Centre Beijing, China Chemical fertilizer, processing and equipment related to the chemical materials.	E.J. Krause & Associates, Inc. 6550 Rock Spring Dr., Suite 500 Bethesda, MD 20817 Tel.: (301) 493-5500 Fax: (301) 493-5705 Email: ejkinfo@ejkrause.com
Interfood Shanghai October 9-12, 2000 (Biennial) Shanghai Everbright Convention and Exhibition Centre Shanghai, China Food and beverages, processing machinery and equipment.	Shanghai International Exhibition Corporation 4th Floor Building No. 1, Jinling Mansions 28 Jingling Xi Rd. Shanghai 200021, China Tel.: (86-21) 6387-2828 Fax: (86-21) 6512-4191 E-mail: siec@stn.sh.cn
Food Ingredients China May 15-18, 2001 (Biennial) Shanghai Mart Shanghai, China Food and beverage ingredients, flavours, colourings and other products.	Hong Kong Exhibition Services Ltd. 9th Floor Shiu Lam Building 23 Luard Rd. Wanchai, HK Hong Kong Tel.: (852) 2804-1500 Fax: (852) 2528-3103 E-mail: exhibit@hkesmontnet.com.hk
Foodtec China May 29 - June 1, 2001 Shanghai Everbright Convention & Exhibition Centre Shanghai, China Food processing equipment, systems and technologies.	HQ Link Pte. Ltd. 150 South Bridge Rd. 1301 Fook Hai Building SGP-Singapore 058727 Tel.: 534-3588 Fax: 534-2330 E-mail: hqlink@singnet.com.sg
Liveexpo October 2001 (Biennial) Shanghai International Convention Centre Shanghai, China Animal breeding and health, feed, dairy.	Intex Shanghai Co. Ltd. 88 Lou Shan Guan Rd. Shanghai 200336, China Tel.: (86-21) 6275-5800 Fax: (86-21) 6275-7210 E-mail: intexcax@public4.sta.net.cn
China Fisheries & Seafood Expo November 1-3, 2000 (Annual) China International Exhibition Centre Beijing, China China's biggest seafood trade show attracting numerous seafood importers, wholesalers and processors.	Sea Fare Expositions, Inc. 1553 NW Ballard Way, Suite 200 Seattle, WA 98107 Tel.: (206) 789-5741 Fax: (206) 789-0504 Internet: http://www.seafare.com E-mail: china@seafare.com

Food & Hotel China 2001 August 28-31, 2001 Shanghai Everbright Convention & Exhibition Centre Shanghai, China An annual show for professional buyers only. A wide variety of food and beverage products on display. The Canadian Consulate General in Shanghai organises a Canadian national pavilion for this event.	Hong Kong Exhibition Services Ltd. 9th Floor Shiu Lam Building 23 Luard Rd. Wanchai, HK Hong Kong Tel.: (852) 2804-1500 Fax: (852) 2528-3103 E-mail: exhibit@hkesmontnet.com.hk
China Hi-Tech Fair / Biotech 2000 October 10-14, 2000 Shenzhen, China.	Coastal International Exhibition Co., Ltd. Room 3808, China Resources Building, 26 Harbour Road, Wanchai Hong Kong, China Tel.: (85-2) 2827-6766 Fax: (85-2) 2827-6870 E-mail: general@coastal.com.hk Internet: http://www.coastal.com.hk.
3rd International Conference on Transgenic Animals (ICTA) October 16-21, 2000 (Annual) Beijing, China	BILONG Transgenics P.O. Box 2714 C13 Beiyitiao, Zhongguancun Beijing 100080, China, Tel.: (86-10) 8262-5664 Fax: (86-10) 6253-2114 E-mail: 3rdICTA@bilong.com Internet: http://www.ciccst.org.cn/icta
4th Hangzhou International Symposium on Plant Pathology and Biotechnology November 5-9, 2000 (Annual) ShenNong Hotel, Huajiachi campus, Zhejiang University Hangzhou, China	Contact: Dr. Zhou Xueping, Dr. Hu Dongwei Chinese Plant Pathology Society Tel.: (86-571) 697-1182 Fax: (86-571) 696-1525 E-mail: lidb@mail.hz.zj.cn and lidb@zjau.edu.cn Internet: http://www.geocities.com/ppbt/
Asia Pacific Conference on Plant Tissue Culture & Agribiotechnology (APCPTCA) November 20-24, 2000 Singapore	Conference Travel Management Associates 425A Race Course Road Singapore 218671 Tel.: (65) 299-8992 Fax: (65) 299 8983 E-mail: ctmapl@singnet.com.sg
International Wheat Genetics and Breeding Symposium May 9-11, 2001 21st Century Hotel Beijing, China	CAASS 20, Maizidian Chaoyang Beijing,100026, China Tel.: (86-10) 6419-4497 Fax: (86-10) 6419-4449 Email: iwgbs@cav.net.cn

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Contact: Mr. Bruce Howard

Canadian Consulate in Chongqing
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E-mail: cdncon@public.cta.cq.cn
Internet: http://www.canada.org.hk

Canadian Consulate General in Guangzhou
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E-mail: gzconcan@public.guangzhou.gd.cn
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Canadian Consulate General in Shanghai
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Internet: http://www.canada.org.hk
Contact: Mr. Henry Deng

Canadian Consulate General in Hong Kong
13th Floor, Tower 1
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Contact: Mr. Houston Wong

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Authentication and Service of Documents (JLAC)
Tel.: (613) 992-6602
Fax: (613) 992-2467

China and Mongolia Division (PCM)
Tel.: (613) 996-0905
Fax: (613) 943-1068

Market Support Division (TCM)
Tel.: (613) 995-1773
Fax: (613) 943-1103

Tariffs and Market Access Division (EAT)
Tel.: (613) 992-2177
Fax: (613) 992-6002 or (613) 944-4840

Agriculture and Agri-Food Canada
International Markets Bureau
930 Carling Ave. 10th Floor
Ottawa, ON K1A 0C5
Contact: Jane Morisset
Tel.: (613) 759-7637
Fax: (613) 759-7506
E-mail: morissetj@em.agr.ca
(See also regional contacts, below)

Canadian Commercial Corporation (CCC)
Metropolitan Centre
50 O'Connor St., 11th Floor
Ottawa, ON K1A 0S6
Tel.: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
E-mail: info@ccc.ca
Internet: http://www.ccc.ca

Export Development Corporation (EDC)
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: 1-800-850-9626 or (613) 598-2500
Fax: (613) 598-6697
E-mail: export@edc4.edc.ca
Internet: http://www.edc.ca

Canadian Food Inspection Agency (CFIA)
59 Camelot Dr.
Nepean, ON K1A 0Y9
Tel.: (613) 225-2342
Fax: (613) 228-6653
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Bernard Mallet
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Charlottetown
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Dan Wuerch
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Tel.: (204) 984-4230

Frank Webster
Guelph
Tel.: (519) 837-5854

Robert Bouchard
Montreal
Tel.: (514) 283-3815

Janet Steele
Halifax
Tel.: (902) 426-2221

Al McIsaac
St. John's
Tel.: (709) 772-0330

International Trade Centres

For export counselling or publications for Canadian exporters, contact a local International Trade Centre by calling 1-888-811-1119.

Export-Oriented Canadian Food Industry Associations

A detailed list of both provincial and national Canadian food industry associations can be found on the Agriculture and Agri-Food Web site at: http://atn-riae.agr.ca/public/associations-e.htm.

Alliance of Manufacturers & Exporters Canada
75 International Blvd., 4th Floor
Toronto, ON M9W 6L9
Tel.: (416) 798-8000 or (613) 563-9218
Fax: (416) 798-8050
E-mail: national@the-alliance.com
Internet: http://www.the-alliance.com

Atlantic Canada Export Club
24 Pictou Rd.
Truro, NS B2N 2R8
Tel.: (902) 893-7539
Fax: (902) 893-7041
E-mail: atlcanadaexport@ns.sympatico.ca
Internet: http://www.atlcanadaexport.ca

Canadian Food Exporters Association
885 Don Mills Rd., Suite 301
Don Mills, ON M3C 1V9
Tel.: 1-888-227-8848 or (416) 445-3747
Fax: (416) 510-8044
Contact: Susan Powell
E-mail: susanp@cfea.com
Internet: http://www.cfea.com

Food Beverage Canada
17311 – 103rd Ave., Suite 201
Edmonton, AB T5S 1J4
Tel.: 1-800-493-9767 or (780) 486-9679
Fax: (780) 484-0985
Internet: http://www.foodbeveragecanada.com

Food Institute of Canada (FIC)
1600 Scott St., Suite 415
Ottawa, ON K1Y 4N7
Tel.: (613) 722-1000
Fax: (613) 722-1404
Internet: http://foodnet.fic.ca

Quebec Agri-Food Export Club
200 MacDonald St., Suite 102
St. Jean-sur-Richelieu, QC J3B 8J6
Tel.: (514) 349-1521
Fax: (514) 349-6923
E-mail: castor@profil-cdi.qc.ca
Internet: http://www.profil-cdi.qc.ca

Chinese Government Contacts

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China Customs Authority
Customs General Administration of the People's Republic of China
Avenue Jian-Guo-Men Nei, 6
Beijing China
Tel.: (86-10) 6519-4114
Fax: (86-10) 6519-4004

China Feed Industry Association
20 Maizidian Street
Beijing 100026 China
Tel.: (86-10) 6419-4588
Fax: (86-10) 6419-4592

China Food Industry Association
No. 5 Guan'anmenwai Taipingqiao Dongli
Beijing 100073 China
Tel.: (86-10) 6327-3055
Fax: (86-10) 6327-3055

China National Animal Breeding Stock Import & Export Corporation (CABS)
18 Panjiayuan Dongli
Beijing 100021 China
Tel.: (86-10) 6779-8315
Fax: (86-10) 6779-8316

Ministry of Agriculture
Department of International Co-operation
11 Nongzhangguan Nanli
Beijing 100026 China
Tel.: (86-10) 6419-2452 or 6419-4363
Fax: (86-10) 6419-2466 or 6419-2451
E-mail: chenzhixin@agri.gov.cn

State Administration for Entry-Exit Inspection and Quarantine
A10 Chaowai Dajie
Beijing 100020 China

Department for Supervision on Animals and Plants
(Plants)
Tel.: (86-10) 6599-3922
Fax: (86-10) 6599-3869
(Animals)
Tel.: (86-10) 6599-4150
Fax: (86-10) 6599-3870

Department for Supervision on Certification
Tel.: (86-10) 6599-4624
Fax: (86-10) 6599-4568

Shanghai

Shanghai Animal & Plant Quarantine Service
88 Yang Shu Pu Rd.
International Shipping Service
Shanghai 200082 China
Tel.: (86-21) 6501-0367
Fax: (86-21) 6501-0367

Shanghai Import & Export Commodity Inspection
13 Zhongshan Rd. (E.) 1
Shanghai 200002 China
Tel.: (86-21) 6321-5135 Ext. 102
Fax: (86-21) 6325-5134

Shanghai Bureau of Technical Supervision, Division of Standardization
381 Wan Ping Nan Lu
Shanghai 200032 China
Tel.: (86-21) 6438-9229
Fax: (86-21) 6468-3575

Shanghai Municipal Foreign Economic Relation and Trade Commission
5 Lou Shanguan Rd.
New Hongqiao Building
Shanghai 200335 China
Tel.: (86-21) 6275-2200

Shanghai Customs of The People's Republic of China
13 Zhongshan Rd. (E.) 1
Shanghai 200002 China
Tel.: (86-21) 6322-0980

Guangzhou

Guangzhou Agricultural Trade Office
China Hotel Office Tower
14th Floor, Room 1259, Lin Hua Rd.
Guangzhou, 510015, China
Tel.: (86-20) 8667-7553
Fax: (86-20) 8666-0703

Guangzhou Customs Administration
2 Fifth Rd.
Shamian
Guangzhou, 510130, China
Tel.: (86-20) 8888-2738
E-mail: ato@gitic.co.cn

Guangzhou Municipal Foreign Economic Relations and Trade Commission
1 Shifuqian Rd.
Guangzhou 510030 China
Tel.: (86-20) 8333-0360

Chinese Importers and Distributors

Beijing Foreign Trade Food Service Corporation
12 Jianguomenwai Street
Beijing, China
Tel.: (86-10) 6568-7865, 6567-0779
Fax: (86-10) 6568-4145
E-mail: bftfsc@a-1.net.cn

China Foods Industrial Group
No. 45 Fuxingmennei Street
Beijing, 100801, China
Tel.: (86-10) 6609-5512
Fax: (86-10) 6603-5837

Dah Chong Hong Shanghai Co., Ltd.
15 Lane 345 Shilong Rd.
Xuhui District
Shanghai China
Tel.: (86-21) 6470-6919
Fax: (86-21) 6451-9268

Goodwell Shanghai Co., Ltd.
Suite 2723
583 Ling Ling Road
Shanghai, 200030, China
Tel.: (86-21) 6487-6287
Fax: (86-21) 6487-6159

Shanghai Food (Group) Corporation
13th Floor, YouYou Yanqiao Building
389 Pudian Rd., Pudong, New Area
Shanghai 200122 China
Tel.: (86-21) 5830-0915
Fax: (86-21) 5830-4115

Shanghai Foodstuffs Import & Export Co.
525 Si Chuan Bei Lu, Room 1005
Shanghai 200085 China
Tel.: (86-21) 6321-6233 Ext. 430
Fax: (86-21) 6357-1811

Shanghai Import Food Enterprise Association
2669 Xie Tu Rd.
Room 1702, Hero Building
Shanghai China
Tel.: (86-21) 6439-8189
Fax: (86-21) 6439-8191

Chinese Banks

Agricultural Bank of China
Jia 23, Fu Xing Road
Beijing, 100036, China
Tel.: (86-10) 6847-5321
Fax: (86-10) 6829-7160
E-mail: zhg@intl.abocn.com.
Internet: http://www.intl.abocn.com
Branch Offices: Guangzhou; Shanghai; Shenzhen; Tianjin.

Bank of China
410 Fuchengmen Nei Dajie
Xicheng District
Beijing 100818 China
Tel.: (86-10) 6601-6688
Fax: (86-10) 6601-6869
Internet: http://www.bank-of-china.com/

Bank of East Asia LTD
299 Szechuen Road
Central Shanghai, China
Tel.: (86-21) 6321-0434
Fax: (86-21) 6329-1813
Branch Offices: Dalian; Guangzhou; Shenzhen; Xiamen; Beijing; Fuzhou; Qingdao

Bank of Montreal
Beijing Branch
Suite 1011, Bright China ChangAn Building
7 Jianguomen nei dajie
Beijing, 100005, China
Tel: (86-10) 6510-2233
Fax: (86-10) 6510-2450
Branch Offices: Beijing, Guangzhou

Bank of Nova Scotia
Beijing Representative Office
A1109-1110 Corporate Square
No. 35 Finance Street, Xicheng District
Beijing, 100032, China
Tel.: (86-10) 8809-1106
Fax: (86-10) 8809-1109
Branch Offices: Guangzhou, Chongqing

Dah Sing Bank
Central Branch
19 Des Voeux Rd.
Central, Hong Kong
Tel.: (852) 2521-8118
E-mail: ops@dahsing.com.hk
Internet: http://www.Dahsing.com.hk/index.html

Dao Heng Bank
The Centre
99 Queen's Road
Central, Hong Kong
Tel.: (852) 2218-2706
Fax: (852) 2285-3313
Internet: http://www.daoheng.com

Hang Seng Bank
Level 4, 83 Des Voeux Road
Central, Hong Kong
Tel.: (852) 2825-5388
Fax: (852) 2801-4914
Internet: http://www.hangseng.com/hse.html

Hong Kong Bank
1 Queen's Road
Central, Hong Kong
Tel.: (852) 2822-1111
Fax: (852) 2810-1112
Internet: http://www.hongkongbank.com

Industrial and Commercial Bank of China
13 Cuiwei Road
Haidian District
Beijing, China
Tel.: (86-10) 6821-7782
Fax: (86-10) 6821-7920
Internet: http://www.icbc.com.cn
Branch Offices: Beijing; Guangzhou; Shenzhen; Shanghai; Alma-Ata (Kazakhstan); Singapore.

International Bank of Asia
International Bank of Asia Building
38 Des Voeux Rd.
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Tel.: (852) 2842-6222
Fax: (852) 2845-3596
Internet: http://www.iba.com.hk

National Bank of Canada
Shanghai Centre 665A
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Tel: (86-21) 6279-8102
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Qingdao International Bank
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Fax: (86-532) 387-0306
E-mail: qibank@public.qd.sd.cn

Royal Bank
Beijing Representative Office
Suite 0612 - 0613 China World Tower
China World Trade Centre No. 1, Jianguomenwai Avenue
Beijing, 100004, China
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Fax: (86-10) 6505-4206

Sakura Bank Ltd.
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Fax: (86-21) 6841-4113
Branch Offices: Beijing; Dalian; Guangzhou; Tianjin.

Société Général
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Fax: (86-10) 6512-7485
Branch Offices: Guangzhou; Tianjin; Beijing; Shanghai; Wuhan.

Standard Chartered Bank
Level 7, Shanghai Centre
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Fax: (86-21) 5876-7308
Branch Offices: Beijing; Chengdu; Xiamen; Nanjing; Haikou; Shenzhen; Shanghai; Tianjin; Zhuhai; Hong Kong.

Xiamen International Bank
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Xiamen, Fujian Province, China
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Fax: (86-592) 202-1192
Branch Offices: Fuzhou; Zhuhai; Quanzhou.

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Blake Cassels & Graydon
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E-mail: icd@sun.ihep.ac.cn
Internet: http://www.caas.net.cn (summary in English available at: http://www.caas.net.cn/english.htm)

CAAS is administratively responsible for the following institutes:

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Fax: (86-10) 6217-4142

Institute of Vegetable Crops and Flowers
Tel.: (86-10) 6217-3589
Fax: (86-10) 6217-4142

Institute of Biological Control
Tel.: (86-10) 6217-0582
Fax: (86-10) 6217-4142

Institute of Agricultural Economics
Tel.: (86-10) 6217-4433
Fax: (86-10) 6217-4142

Biotechnology Research Centre
Tel.: (86-10) 6217-4052
Fax: (86-10) 6217-4142

Institute of Feed Research
Tel.: (86-10) 6217-3458
Fax: (86-10) 6217-4142

Institute of Crop Breeding and Cultivation
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China National Rice Research Institute
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Fax: (86-571) 337-1745

Institute of Cotton
Baibi, Anyang City
Henan Province 455112, China
Tel.: (86-372) 292-3711
Fax: (86-372) 292-4952

Institute of Oil Crops
Baojian, Wuchang District
Wuhan City
Hubei Province 430062, China
Tel.: (86-27) 681-1431
Fax: (86-27) 681-6451

Fujian Agricultural University
Fuzhou City
Fujian Province 350002, China
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Beijing 100094, China
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Internet: http://www.cau.edu.cn/en/hpen.htm

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READER EVALUATION

Please help the Market Research Centre to produce market reports which meet your information needs by completing this evaluation form and returning it by fax to (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?
   - ☐ InfoCentre FaxLink system
   - ☐ InfoCentre help line
   - ☐ Local government office
   - ☐ Government Internet site
   - ☐ Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	☐	☐	☐	☐	☐
Complete	☐	☐	☐	☐	☐
Well organized	☐	☐	☐	☐	☐
Well written	☐	☐	☐	☐	☐
Ideal length	☐	☐	☐	☐	☐

3. In what form do you prefer to obtain these reports?
   - ☐ Print
   - ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.
   - ☐ Seek an agent/distributor
   - ☐ Visit the market
   - ☐ Do more research
   - ☐ Other: _____
   - ☐ Contact Canadian trade office abroad
   - ☐ Participate in a trade show abroad
   - ☐ Nothing

5. What other market reports would be of benefit to your organization? Please identify specific products and countries. _____

6. Which of the following categories best describes your organization? Check one only.
   - ☐ Processor/manufacturer
   - ☐ Trading house
   - ☐ Export service provider
   - ☐ Industry/trade association
   - ☐ Government
   - ☐ Student/academia
   - ☐ Consultant
   - ☐ Other: _____

7. What were your organization's total sales last year, in Canadian dollars?
   - ☐ Less than $10 million
   - ☐ More than $50 million
   - ☐ $10 million to $50 million
   - ☐ Not applicable

Additional comments/suggestions for improvement: _____

OPTIONAL — The name of your organization is: _____